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From youth for youth:
perspectives for societal challenges



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Student internship as a tool for acquiring work skills necessary for entering the labour market

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List of acronyms



MoES - Ministry of Education and Science

UKIM – University of "Ss Cyril and Methodius" - Skopje

FINKI – Faculty of Computer Science and Engineering

RM - Republic of Macedonia

Introduction to student internship

Student internship is one of the key moments of undergraduate studies. As such, it should alleviate the students' transition from being passive information consumers into becoming active, aware and responsible students, who by working on practical problems help their own personal development and the development of those they work for.

Student internship has educational and philosophical bases.¹ It is part of the faculties' curricula that enables the students to apply and improve their theoretical knowledge acquired at the faculty. Student internship enriches the student's range of knowledge with specific practical skills in the field of their studies. The success of the development of the students' practical skills has a direct impact on the quality of the services within the national and local economies.

The researches in the field of student internship indicate that it offers benefits to the student-interns that are not simply limited to their professional development.²

Namely, by getting involved in student internship, the student-interns have a possibility to achieve academic and personal development, they learn how to act independently and autonomously, and even improve their attitude towards the community by understanding the common benefit from the cooperation and exchange of ideas and knowledge. However, these achievements are significantly conditioned the dedication and efforts on the part of the student, the organisation where the internship is carried out, and the faculty as the necessary link between them. Student internship in the Republic of Macedonia is still a topic that has not been researched. According to the Rulebook on the manner and the conditions of organising practical training, adopted by the Ministry of Education and Science (MoES), practical training is mandatory for all students after finishing their first year of studies at the university.³ Even though this Rulebook was adopted in September 2010, no competent institution, or stakeholder, has invested significant efforts in acquiring empirical data regarding the implementation and the effects from the mandatory student internship for students at both public and private universities in the Republic of Macedonia.

Discontent with the quality and the manner of implementing student internship, the students have been demanding changes.⁴ Namely, so far only one research has been carried out i.e. a survey was conducted on the student internship as a link

¹Student Internships; Merrit, R.D.; EBSCO. Research State; 2008. (available at: <https://www.ebscohost.com/uploads/imported/thisTopic-dbTopic-1072.pdf>).

²Western Kentucky University, Daniel Jacke - Evaluating the Effectiveness of an Internship Program; 12-2011. (available at: <http://digitalcommons.wku.edu/cgi/viewcontent.cgi?article=2121&context=theses>).

³Article 7, Rulebook on the manner and the conditions of organising practical training for students (Official Gazette of the Republic of Macedonia, No 35/08, 103/08, 26/09, 99/09 and 155/09).

⁴„На студентите им треба повеќе praksa uchat preмногу teorija“ (available at: <http://www.fakulteti.mk/news/16-12-17/na-studentite-im-treba-povekie-praksa-uchat-premnogu-teorija.aspx>).

between the education system and the businesses.⁵ Within this survey, 100 respondents from various faculties within the Ss. Cyril and Methodius University were interviewed in order to see whether internships are available to students and whether they are carried out. This is an indicator that additional analyses and researches are still necessary in order to help the improvement of the process.

According to the information acquired from the questionnaires in the survey, the students are not satisfied with a system where getting a signature is treated as doing an internship with all its benefits. They are frustrated by the fact that in the course of their internship they are given assignments that do not correspond to the level of their education. They request validation of their labour and greater dedication by the faculties and the organisations where the internships are carried out. The students today demand real benefits, and not only a signature confirming they did the internship, because often the signature is misused i.e. there are cases when the student will get the signed confirmation without doing the internship at all.

The goal of the survey is to explore and find out what are the reasons behind the problems linked to the quality and the implementation of the mandatory student internship. This information and knowledge are necessary in order to improve the practicing of student internship, as well as to increase its benefit for both the students and the organisations/institutions providing the internship.

Primarily, this survey analysed the quality of student internship i.e. whether students through internship acquire practical skills in the field of their studies. Furthermore, it reviewed how the various characteristics of the internship, the place where it was done and its duration influence the outcome i.e. the internship's effectiveness. In addition, it analyzed the legal acts i.e. the way in which student internship is regulated in the legal acts at national, university and faculty level.

⁵ Симпозиум за унапредување на студентското практиканство како линк помеѓу образованието и бизнисот; Институт за социолошки и политичко правни истражувања; Борота Поповска, Мирјана; 25.10.2016 година – Скопје; (available at: <http://ispji.ukim.edu.mk/files/transkript.pdf>).

Methodology

The Faculty of Computer Science and Engineering (FINKI), the Faculty of Economics and the Faculty of Law "Iustinianus Prima" from the University of "Ss Cyril and Methodius" - Skopje (UKIM) were selected for the analysis of the manner and the degree of implementation of student internship in Macedonia. Moreover, the experiences of students and companies in this process were analysed. This University was selected because it is the oldest university with the biggest number of students,⁶ and according to the MoES, it is the best ranked university in the Republic of Macedonia.⁷ These faculties were selected because they offer opportunities for comparative analysis of the state of practical training provided to students of social and technical sciences.

In compliance with the principles of the scientific research methodology, the following methods were applied in the research:

-Requesting free access to information of public character

These requests were sent to FINKI, the Faculty of Economics and the Faculty of Law "Iustinianus Prima". The questions enquired whether the faculty signed an agreement or a memorandum for cooperation with private and public organisations for student internship and requested information regarding the manner in which these legal entities were selected. Further enquiries were made about the records and the way records were kept of the student internship and the process of internship recognition by the faculties.

-Legal acts analysis

The analysis covered the Law on Higher Education and the Rulebook on the manner and the conditions of organising practical training for students by the MoES, as well as some internal legal acts that regulate the practical training at the faculties.

-Interviews

In order to collect information and experiences of all the stakeholders, interviews were conducted with nine firms and companies⁹ that drove us to some specific conclusions about the conduction of student internships. The interviews gave

⁶State Statistical Office of the Republic of Macedonia No. 2.1.16.27, date: 4.7.2016 (available at: <http://www.stat.gov.mk/pdf/2016/2.1.16.27.pdf>).

⁷Macedonian HEIs Ranking 2015/2016, commissioned by the Ministry of Education and Science of the Republic of Macedonia in 2015 and released on March 1, 2017 (available at: http://www.shan@hairanking.com/Macedonian_HEIs_Ranking/Macedonian-HEIs-Ranking-2015-2016.html).

⁸Law on Higher Education [Official Gazette of the Republic of Macedonia No. 35/08, 26/09, 83/09, 99/09, 115/10, 17/11, 51/11, 123/12, 15/13, 24/13, 41/14, 116/14, 130/14, 10/15, 20/15, 98/15, 145/15, 154/15, 30/16, 120/16 and 127/16].

⁹Tutunska banka; Law Firm Trpenoski; Notary Zorica Pulejkova; Inside Development; SIGMA-SB; MK HOST DOOEL SKOPJE; IVOTE DOO; GROUP POINT DOOEL; Lynx Studio DOOEL import-export Skopje.

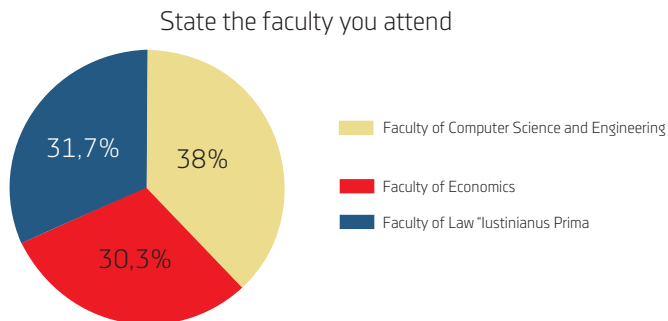
significant insights of the attitudes that employers have towards the interns, the manner in which they are selected, the challenges they are faced with, and of course what they would change in the current situation i.e. their recommendations.

->Written questionnaires

The questionnaires were distributed in a written form among the students from FINKI, the Faculty of Economics and the Faculty of Law “Iustinianus Prima” in order to find out about the perception of the students regarding practical training. The students that were covered with this survey were in their final year of undergraduate studies. This is because these students are the ones that could assess the effectiveness and the usefulness of student internship in the most objective possible way, having in mind that it is mandatory. The sample was created in compliance with the information about the number of students in their final year of studies as published by the State Statistical Office.¹⁰

The sample consisted of 142 respondents i.e. 54 students from FINKI, 43 students from the Faculty of Law “Iustinianus Prima” and 45 students the Faculty of Economics.

This written questionnaire is consisted of two parts. One part was for the students who had undergone any practical training, in order to find out about their expectations i.e. whether they expected to acquire new knowledge, to use the theoretical knowledge acquired at the faculty, to learn concrete practical skills as well as skills that are important for their future careers. These claims were evaluated at a scale from 1 to 5.¹¹



¹⁰State Statistical Office of the Republic of Macedonia No. 2.1.16.27, date: 4.7.2016

(available at: <http://www.stat.gov.mk/pdf/2016/2.1.16.27.pdf>).

¹¹ 1 corresponds to the opinion "I do not agree at all" and 5 corresponds to the opinion "I fully agree".

The second part of the questionnaire was for students that had conducted student internship and it consisted of questions that established the characteristics of the internship, like the place, duration, remuneration, having a mentor provided by the faculty and the organisation where the internship was performed. In addition the questionnaire consisted of claims that referred to the effectiveness of the student internship and its impact on the further professional development of the students. These claims were evaluated at a scale from 1 to 5.¹²

The analysis of the collected data looked into the possible correlation between some of the characteristics of the student internship and its usefulness for the student that did it.

¹²1 corresponds to the opinion "I do not agree at all" and 5 corresponds to the opinion "I fully agree".

Legal regulation of practical training in the Republic of Macedonia

Even though student internship is highly appreciated, the issue that it is mandatory is the subject of an ongoing debate.¹³ Even in the countries where it is of mandatory character, the student internship differs in the manner in which it is legally regulated. If we review the examples in the region, the Libertas Business School in Croatia adopted its Rulebook on implementing student internship.¹⁴ It states that the student internship has to be exclusively in the student's field of studies. In addition, ECTS credits are received for it, depending on the student's curriculum and accreditation. What we would like to underline is that the Vice-Dean for Academic Affairs has a duty to develop a programme for the students that will stimulate involvement in student internship, to ensure the place and the organisations where students will do their student internships, as well as to provide the necessary documentation that will make this entire process possible.

Student internship in Serbia¹⁵ is regulated in a similar way as in Croatia. The only difference is that in Serbia the Vice-Dean for Academic Affairs is not obligated to organise student internships, but they have internship application forms which are available at the faculties' administration offices. Apart from that there is a separate form for evaluating student-interns on a scale from 5 to 10. The evaluation is based on criteria about how successful the student was working in a team, whether s/he performed the assignments timely and properly, etc.

These regulations provision appointment of a person from the faculty that would be responsible for the implementation of the student internship and its duration that should be adequate to the needs of the faculty as well as a person who would direct the students to public and private institutions where they could do their internship. As such they offer solid basis for successful conducting of practical training. In addition, records are kept of student-interns as well as of their assignments while working as interns.

The practical training in the Republic of Macedonia is regulated with the **Rulebook on the manner and the conditions of organising practical training for students.**¹⁶

¹³ "Should Internships Be a Mandatory Part of the College Curriculum? The Answer is Yes" [available at:

<http://bostinno.streetwise.co/2011/09/15/should-internships-be-a-mandatory-part-of-the-college-curriculum-the-answer-is-yes/>].

¹⁴ "Pravilnik o strucnoj praksi; Temeljem čl. 21. st. 1. Statuta Visoke poslovne škole Libertas u svezi s čl. 82. Zakona o znanstvenoj djelatnosti i visokom obrazovanju Upravno vijeće Visoke poslovne škole Libertas; 7/09/2010 [available at: <http://www.libertas.hr/wp-content/uploads/2016/03/Pravilnik-o-strucnoj-praksi.pdf?15dc5a>].

¹⁵ Подсетник за студентску стручну праксу у високом образовању; Николић, Ратко; Радосављевић, Дамњан; Ковачевић, Илија; Пап, Ендр; Јеремић, Бранислав; Булатовић, Иван; Ђокић, Јелица; Плећаш, Дарко; Павловић, Душица; Спасић, Славица; Национални савет за високо образовање - НСВО; Београд, Република Србија; 2015 година [available at: <http://nsvo.gov.rs/wp-content/uploads/2013/11/%D0%9F%D0%BE%D0%B4%D1%81%D0%B5%D1%82%D0%BD%D0%B8%D0%BA-%D0%B7%D0%BO-%D1%81%D1%82%D1%83%D0%B4%D0%B5%D0%BD%D1%82%D1%81%D0%BA%D1%83-%D1%81%D1%82%D1%80%D1%83%D1%87%D0%BD%D1%83-%D0%BF%D1%80%D0%B0%D0%BA%D1%81%D1%83.pdf>].

¹⁶ Rulebook on the manner and the conditions of organising practical training for students [Official Gazette of the Republic of Macedonia, No. 35/08, 103/08, 26/09, 99/09 and 155/09]

[available at: <http://www.slvesnik.com.mk/Issues/14BC77F54D8D334A93DB2266B41331D29.pdf>].

This legal act was adopted by the MoES and it is mandatory for all the universities i.e. faculties in the Republic of Macedonia. Even though this document is similar to the above stated documents it lacks certain regulations that could contribute for the overall quality and the manner the practical training is carried out. Namely, this Rulebook states that the practical training could not last less than one hour or more than eight hours a day. Furthermore, it reads that during the practical training, the student should be supervised by a mentor from the faculty who is responsible for the successful implementation of the practical training.

The content of the student internship is regulated only in principle, and it is left to the universities i.e. faculties to regulate in details student internships.

The first potential problem is that this Rulebook is too general in its provisions. On its own this is not necessarily a problem since it leaves sufficient space for the faculties with their internal acts to regulate the student internship in accordance with the needs that are particular for their field of studies. However, as it will become evident later on in this research, the universities i.e. the faculties do not make use of this opportunity that has resulted in insufficiently and inadequately regulated internships.

The biggest problem in our view is the implementation of this Rulebook. As you will see, there is an absence of will for implementing the provisions of this Rulebook. This research will present all the ways in which failure to respect this Rulebook has an impact on the outcome from the student internship for its stakeholders.

Student internships around the world

The various testimonials by students who did student internship show that it provides them with unique benefits that are not provided by the faculties. The students of natural sciences and engineering at the University of Nevada, Reno,¹⁷ point out that one of the greatest challenges of student internship is the transition to an environment where nobody knows the real answers in advance. By performing work assignments during the internship the students learned how to work in an environment of different opinions and ideas, as well as how to use diversity of ideas in finding the best solution for the given problem. The student-interns at the company Dezan-Shira and Associates, a company that offers consultative services and business solutions for business expansion in Asia, add that the University could never prepare them fully for the challenges of the real world. In their view the only way to fully understanding the practical implications from the theoretical knowledge acquired at the faculties is to be in direct contact with the working environment and working on real projects.¹⁸ In the process of doing the internship, these students gained contacts and acquaintances that helped them in the course of their future careers.

Student internships in the Republic of Macedonia

Regardless of the numerous testimonials about the possible benefits from student internship, the experiences of the students in the Republic of Macedonia with student internship are poorly documented. In the process of amending the bylaws in 2010, the students' perceptions and views on this issue were never explored. As a result of circumventing the students, who are the most concerned party, we have policies which outcomes cannot improve the position of the students and the mechanisms which purpose is to improve students' knowledge. For these reasons, we believed that a research of the so far unknown perceptions and positions of the students in regard to this issue would offer useful guidelines for possible improvement of the situation with student internship in the Republic of Macedonia.

Even though, according to the Rulebook on the manner and the conditions of organising practical training for students, all the respondents from our sample should have done at least one internship in the course of their studies, the analysis of our data points at a different reality. Namely, our analyses point out the fact that every fourth student in the last years of studies has not done any student internship. The only small exception is the Faculty of Economics, where it applies to every fifth student.

¹⁷Student Internship Experiences; University of Nevada, Reno (доступно на: <https://www.unr.edu/mackay/career-services/student-career-information/get-inspired-get-involved/student-internship-experiences>).

¹⁸Intern Testimonials - Dezan Shira and Associates (доступно на: <http://www.dezshira.com/career/previous-interns-experience>).

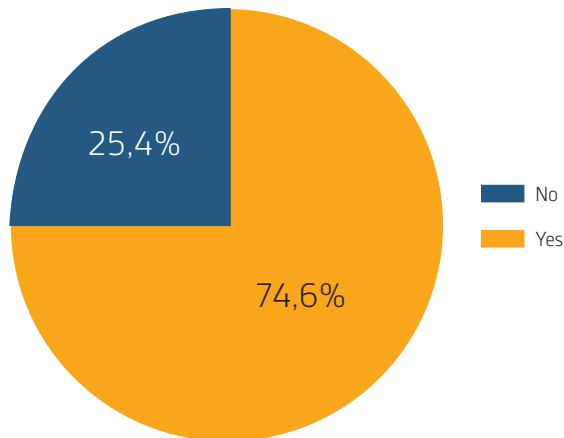
In order to determine the specific reasons due to which many students in the last years of their undergraduate studies have not done any student internship we start with the following premises:

1.The students are not informed about the mandatory nature of student internship.

2.The students are informed about the mandatory nature of student internship, but the absence of adequate systems for keeping records about student internships at the faculties helps students circumvent this process without any consequences.

3.The students are informed about the mandatory nature of the student internship, but they are not happy with the student internships that are currently offered and the way in which they are performed and as a consequence they decide not to do it at all.

Have you done any student internship so far?

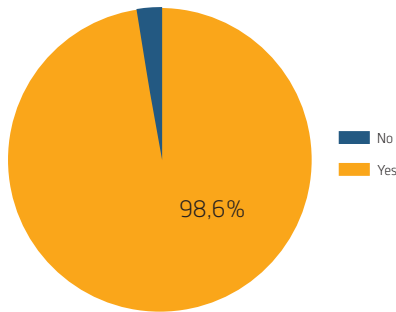


Students awareness about student internship

Firstly, as a reason for the high number of students in their last years of undergraduate studies who have not done student internship, we reviewed the possibility that they might not be informed about its mandatory character. However, the answers we received from the students showed that it was not the case, and that almost all the respondents knew about its mandatory character.

This led us to the conclusion that there must be other factors, like the level of engagement on the part of faculties and the organisations where the internship is carried out, which could influence the decision of the students to do a student internship.

Have you been informed about the mandatory student internship?



System for keeping records

In addition we checked whether the absence of adequate systems for keeping records of the student internships on the part of the faculties allows the students to circumvent its mandatory character. From the answers we received to the requests for free access to information of public character sent to the Faculty of Law "Iustinianus Primus", the Faculty of Economics and FUNKI we were able to see that only FINKI had a complete system of keeping records about the students who did student internship. This system includes the students that did student internship, the institution where they did it as well the work assignments that the students had during their internship. But these systems of keeping records are only partially present at the Faculty of Economics and fully absent at the Faculty of Law "Iustinianus Primus". The absence of basic systems for keeping records that establish whether a student did a student internship means that the faculty has no way of undertaking measures when a student will not do the mandatory student internship. In addition one of the respondents stated that even though he had

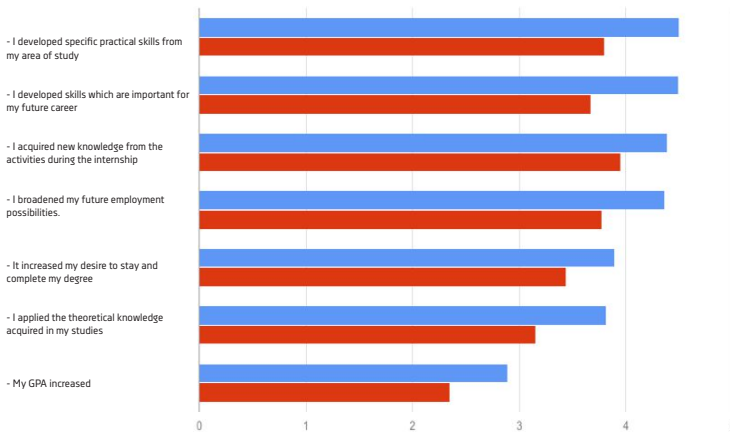
never done student internship, he got a formally signed student internship letter of confirmation that was later recognised by the faculty. This is an indicator that even at the faculties with some kind of a system for keeping records there is a way of circumventing the mandatory character of the student internship. This finding led us to the conclusion that the way in which student internship is registered at the moment and the mechanisms used to establish whether it was done, are susceptible to mistakes and manipulations. Realising this fact, some students decide either to fully avoid doing student internship or they find an institution that will provide them with a formal certificate even though the internship was not done. We believe that in addressing this problem, one should primarily demand greater engagement on the part of the faculties. The faculties by upgrading their systems for keeping records could contribute in reducing the number of students who will choose not to meet this requirement.

However, even if there is willingness on the part of the faculties to address this issue it will not resolve the essential problem that exists in the background. Namely, the upgrading of the systems for keeping records of the student internships will not change the reasons why students choose to circumvent these systems. We believe that the essential reason due to which the students choose not to do the student internship is the dominating general dissatisfaction with the manner of doing the internships that are offered at the moment.

Students' expectations from the student internship

In the course of the process of analysing the potential reasons for this dissatisfaction we started with the expectations of the students from student internship. We noticed that there is evident discrepancy between the expected and the factual benefits from student internship. Namely, the internships fail to satisfy the expectations of students from the aspect of the potential benefits from doing them.

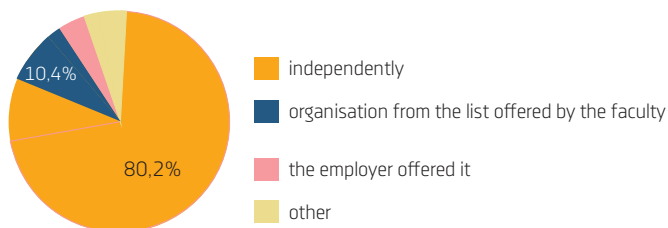
Expected in comparison to factual achievements from student internship (expected / factual)-average value



In addition, these data point at the fact that students see student internship primarily as a possibility for acquiring working skills, which would be important for their future entering of the labour market. On the other hand the data points out the fact that students do not see the link between the theoretical knowledge acquired at the faculty and its application in the real world. The role of higher education cannot be limited solely to offering practical skills, but the fact that student internship is mandatory means a great responsibility on the part of the faculties in the process of preparing the students for the needs of the market. Hence, we come to the conclusion that the faculties should broaden their curricula and incorporate the skills that are important on the labour market and to present their theoretical knowledge in the context of the practical problems. As a matter of fact one of the most common remarks by the students refers to the absence of adequate practical training that would prepare the students for the mandatory internship. These changes, that must start at the faculties, could significantly help the individual when entering the labour market.

Student expectations from the realisation of the student practice

How did you choose where to do your internship?



Places that offer student internships

A potential reason, due to which a certain number of students have not done a student internship, could be the lack of information about the available offers and possibilities for doing it. The provision of this information could significantly reduce the burden on the students to look for an internship on their own.

From the requests for access to information of public character, we learnt that only the Faculty of Economics and FINKI have a published list of firms and companies where the students could do their student internships and they inform their students regularly about the opportunities for doing student internships at those organisations.

This along with the fact that most of our respondents chose the place for doing the student internship independently, leads us to the conclusion that the faculties are insufficiently involved in the process of informing their students about the potential student internships. This situation should change i.e. the faculties should bring the opportunities for doing student internship closer to the students.

So far we have pointed out that there is dissatisfaction among the students with the way the currently offered student internships are carried out. We believe that the analysis of the common features of the student internships that provide greater benefits for the students could significantly improve this situation.

From the gathered information, the most attractive places for the students to do the practical training are the private companies which account for 76.42 percent of the total number of respondents. This percent is even bigger among the FINKI students (89.74%), and among the students at the Faculty of Economics (86.11%). Only among the students at the Faculty of Law "Iustinianus Primus" we notice small interest of 48.39%.

According to the data, the students who did their internship at a private company gave higher marks to the claims that refer to acquisition of new knowledge and particular practical skills and in general its usefulness, unlike those who were interns at a public institution.

In addition it is important to mention that the private companies are more accessible for student internships than the public institutions. For the purpose of this survey we tried to get in touch with all the institutions with which the faculties have signed agreements for cooperation. Among them there were both private companies and public institutions. However, it was only the private companies that responded and agreed to help us with the analysis aimed at improving the situation with the student internship. This is an indicator of their accessibility and interest in student internship.

In addition, seven out of nine respondents that were interviewed were former student-interns and six of them got a job at the company where they did their student internship.

This information imposes certain indications. On one hand, the private companies offer greater possibility for future employment to student-interns and by seeing them potentially as future employees they are motivated even more to invest in their professional development. On the other hand this is appreciated by the student-interns that see this as a better choice in comparison to the companies and the public institutions that do not offer such opportunities.

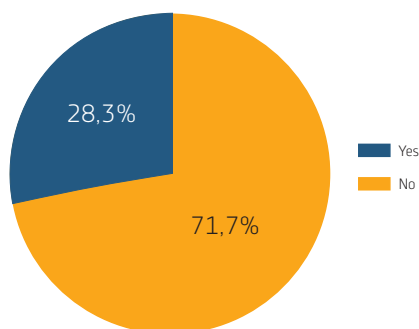
Still, the place where the student-internship is done is not the only factor that has an impact on its effectiveness.

Student internship's benefits

Namely, 25% of the students doing internship of less than 30 days graded the usefulness of the internship with the highest mark (5). This percentage among the students that had practical training of 30 to 60 days is 49.06%, while among the students who had practical training of more than 60 days it is 68.75%.

This information leads us to the conclusion that the usefulness of student internship is proportional to its duration. This opinion is also shared by the companies. They believe that for the student to really learn how to work and to adapt at a certain company, at least two months are needed. Some of the companies, when requested by the student-interns, could prolong the duration of the student internship with a part-time employment contract. Often, it proves to be useful for the students, and they find jobs soon after doing the student internship.

Have you received any remuneration?



Remuneration

We believed that the possibility for remuneration by the organisation where the internship is done could serve as a powerful tool for motivating the student-interns to effectively do their assignments during their internship. We found out that the majority respondents from our sample did not get any kind of remuneration, which is an indicator that the employers do not fully validate the work done by the interns. The FINKI students are the exception since the majority i.e. 53.85% receive some kind of financial compensation for the work done. In the last years of their studies the students already possess certain skills and capabilities that could help them with

their work at the organisations, and the remuneration is a way of validating their work and contribution in the operation of the organisation.

The collected data affirm the above stated assumption. Namely, 36% of the students who received any kind of remuneration for the student internship graded the internship with 5, while the percentage of students that got no remuneration was 63.33%.

According to the firms and the companies, we received two different responses to this question. .

"The intern here does not receive any remuneration that shows how useful the internship is. The number of the interns keeps growing, and with that their employment" - X₃ company.¹⁹

"Yes, they do get some remuneration for food and expenses for that month. Still there are interns from other cities and they are paid certain minimal remuneration" - X₆ company.²⁰

Out of nine interviewed companies only two believed that there was no need for the interns to be paid anything since in that way the intern would be motivated to work more and to contribute for the greater benefit of the company.

But, this position is not shared by the students who believe that their labour and contribution to the organisation where the internship is done should be financially validated. We cannot see direct link between not being paid and increased feeling of responsibility when doing the assignments. On the contrary it is logical to assume that if the student gets some kind of remuneration, s/he will feel that his/her labour is valued and as a result s/he will be motivated to do the assignments. In addition, the accepting of the remuneration means taking on the responsibility to do the assignment well. The feeling of responsibility in doing the assignments is beneficial both for the student-interns and for the final product i.e. service.

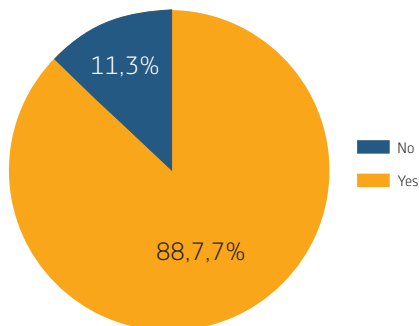
Even though not all students in the last years of their studies do student internship, almost all students believe that it should keep its mandatory status.

The fact that most of the students see in a positive way the fact that the internship is mandatory is an indicator that students see the potential of student internship in **helping their personal and professional development.**

¹⁹L. O., [15/3/2017]; personal interview.

²⁰K. D., [16/3/2017]; personal interview.

Do you believe that student internship should be mandatory?



The fact that most of the students see in a positive way the fact that the internship is mandatory is an indicator that students see the potential of student internship in helping their personal and professional development.

The general conclusion that one could draw is that students are aware of the benefits that practical training offers and as a consequence they agree with their mandatory character. However, often these benefits are conditioned by certain factors. The institutions that offer internship should provide a working environment and dynamics that will motivate the students and will make use of their full potential. However, the faculty should help the students in the process of adaptation to the working environment, by integrating the practical work with the theoretical teaching and offering adequate mentorship. If these conditions are not met, the students use the shortcomings of the systems for keeping records of student internships to circumvent this obligation.

The role of the faculties

In the global and dynamic system, moved by knowledge, information and ideas, the role of university education in the life of the individual continues to be the topic of the ongoing discussion among the academic community around the world.

How could the university produce new systematic knowledge adequate to the practical needs of the real world, without losing its primary task to seek knowledge as a value in itself? Even though the universities must not neglect their role in stimulating and nurturing the natural curiosity and the quest for new knowledge in science, art and technology, they also have to take over part of the responsibility to respond to the real needs and challenges of local and global economies.²¹ The progress of the society is conditioned also by the two factors and this is the greatest challenge for the higher education institutions today.

The knowledge increasingly replaces many other resources as the primary engine of economic development and thus the higher education is becoming increasingly necessary precondition for personal and social prosperity. The university, as the primary source of good quality higher education takes the centre stage in the process of developing knowledge that corresponds to the real needs of the market. However, many researches point at the fact that after graduation students are not fully prepared to deal with the challenges of the working world.²²

In order to change this reality a big number of universities aggressively emphasise the need of student practice in the academic and professional development of students.²³ Even though in the legal regulations, student internship is not mandatory and its practicing is on voluntary bases, they are aware of the huge benefits from it.²⁴ These universities actively promote the potential possibilities for their students to do student-internship, usually at their web sites.²⁵ Some of them have separate university bodies assigned to collaborate with the local businesses in the process of creating programmes for paid working experience for their students.²⁶

However based on the conclusions stated in this research, which focus on the students' perception, we see that these practices are not sufficiently represented at the surveyed UKIM's faculties. Namely, these faculties are partially or insufficiently

²¹ Faust, Drew Gilpin; Royal Irish academy; Trinity College: Dublin - 30/06/2010

(available at: <http://www.harvard.edu/president/speech/2010/role-university-changing-world>).

²² Graduate Employability: What do employees think and want?: Archer, Will; Davison Jess; The council for Industry and Higher Education; London - 26/02/2008 (available at: <http://aces.shu.ac.uk/employability/resources/O802Grademployability.pdf>).

²³ Internships - University of Cambridge [<https://www.hradmin.cam.ac.uk/hr-services/tes/internships/>].

²⁴ Internships, placements and work experience - The University of Manchester (<http://www.careers.manchester.ac.uk/findjobs/workwhilestudy/internships/>).

²⁵ Internships & The University of Maryland (<http://www.internships.umd.edu/>).

²⁶ Student Internship Bureau - The University of York

(<https://www.york.ac.uk/students/work-volunteering-careers/skills/work-experience/internship-bureau/#tab-1>)

dedicated to informing their students about potential opportunities for student internship regardless of its mandatory nature.

The mandatory character of student internship in RM is an additional burden for the universities that should help the process of creating good quality working force that would respond to the needs of the national and global economies by offering adequate preparations, programmes and mentorship. This part of the survey offers critical evaluation on how the universities in the Republic of Macedonia, explored through the example of UKIM, manage to deal with this burden.

Firstly, we were interested whether the specific faculty had a separate rulebook on comparing students' internships in the course of their studies. Different areas of studies often mean different responsibilities, typical for the field itself. The existence of internal acts at the faculty itself could help in addressing these demands and to regulate the internship adequately to the demands of the specific field of studies.

The Faculty of Law "Iustinianus Primus" has no special Rulebook on the students' internship in the course of their studies, and the internships at this faculty are regulated with the MoES' Rulebook.

FINKI acts in accordance with their own procedure on student internship that limits the companies where students could do their student internship, its duration as well certain particularities in regard to its registration.

The Faculty of Economics regulates the practical training of students with Guidelines for conducting practical training.

We believe that by amending the MoES' Rulebook with specific internal acts by the faculties it could address some of the issues that the faculties see as problematic. However, in order to establish these problems the faculty should do more detailed analysis of the situation with student internship. The faculties, as institutions that play the role of a mediator between the student-interns and the organisations where they do their internships are in a unique position of gaining knowledge and information in this field. None of the faculties so far has provided detailed analysis of the situation with the mandatory student-internship. Having established the factual state of student internships is the basis for improving the practices that result in outcomes that are not the best for the stakeholders.

Furthermore, we checked whether the faculties have signed memorandums for cooperation with companies, public institutions and civil society organisations for student internship and the way these legal entities are chosen.

The way in which the institutions are selected is also very important for the quality of the internship, since not all institutions are equally motivated to contribute for the professional development of the student-intern.

The responses show that all the surveyed faculties have memorandums for cooperation and agreements for practical training signed with a number of companies and institutions. Only FINKI and the Faculty of Economics' students are obligated to do their internship at the institutions and the companies with whom their faculties have memorandums for cooperation signed. The Law Faculty "Iustinianus Primus" does not select the entities where the students would have their internships. The students are free to choose. In regard to the manner the legal entities should organise the student internship, the Faculty of Economics regulates this area with separate *Guidelines for conducting practical training*, but it does not specify the way these legal entities are selected. At FINKI it is the Vice-Dean who selects the companies and public institutions that the faculty would cooperate with.

From the responses we collected we could conclude that even though the Faculty of Economics and FINKI allow practical training to be conducted only at the institutions which signed an agreement with the faculty, none of the faculties has established criteria for evaluating the companies as adequate for student internship. The minimum conditions for the evaluation of the potential institutions could significantly change the effects of the internship on students. As stated before, not all institutions show the same dedication to the student-interns. Namely, those organisations that see the common benefit from the good quality experience from the internship, offer more benefits to the students. In addition, the existence of these criteria could reduce the number of organisations that only provide a formal certificate to students who never do their student internship. We believe that by having these criteria fewer students will be in a situation of doing their practical training simply for the purpose of satisfying the formal requirement.

Additionally, we checked whether the surveyed faculties keep any records about the students who did student internships in the past few years, and about the manner in which these records are kept as well as the manner of recognising student internship done by students in the course of their studies. The records keeping and the recognition of student internship could serve as a useful indicator of the real interest of the faculties in the outcomes from the internship compared to the formal document that the internship was realised.

In regard to students' perception, we pointed out the problem with keeping records of student internships, as well as the possible consequence from the absence of these systems of keeping records. The absence of an adequate system of keeping

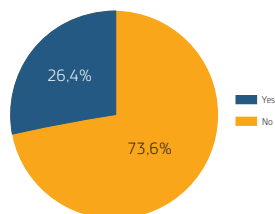
records of the students that did student internship is essential for respecting the provisions from MoES' Rulebook.

Moreover, the fact that only FINKI keeps records of the assignments at the institution of the internship leads us to conclude that the faculties are not that interested in the dynamics and the quality of the internship. We believe that showing interest in this field could contribute towards improving the quality of the practical training. We see the reason for that in the fact that this kind of records is useful primarily for the faculties in their analysis of the real benefits of the student internship, as well as for the students who after finishing the internship could use that as the basis for self-evaluation. This practice could help as an additional criterion for assessing the institutions that provide student internship, since it provides real picture whether the institution aims at making full use of the potential of the student-interns by giving them assignments that correspond to their capabilities and knowledge.

Unlike the faculties, all the companies and firms that were interviewed for this survey keep strict records of every student-intern they had with the following indicators: internship duration, whether s/he received any remuneration, evaluation of his/her work during the student internship, capabilities and particular traits of the student. We believe that the faculties should follow this example by upgrading their evaluation systems.

The majority of the students see student-internship as their first exposure to the real and dynamic working environment that demands solving real problems and working on real projects at the institution. For that reason, the MoES' Rulebook strictly provisions supervision of the student-intern by a mentor from the faculty.²⁷ Unfortunately, the responses we got from the students who had done some kind of student internship indicate a completely different reality.

Have you had a mentor from the faculty during your internship?



²⁷ Article 4, Rulebook on the manner and the conditions of organising practical training for students.

The fact that the majority of the students had no mentor from the faculty is a violation of the MoES' Rulebook provisions. Namely, most of the remarks of the students focus on this issue. The absence of a mentor means that the student gets no guidelines in a world that is completely new and unknown to him/her. As a result s/he would need more time to adapt to the new environment that in many aspects is different from the faculty classrooms. It is worth noting that those students, who did have a mentor from the faculty, mark their availability with an average mark of 4.03, where 1 means 'not at all available' and 5 means 'constantly available'. Even though 82.02% of the respondents get a mentor at the organisation of their internship we believe that having a mentor at the faculty is of unique benefit for the student-intern. The faculty mentor, as a member of the academia, could understand the position of the student-intern much better. This could help the student to put to use the theoretical knowledge s/he acquired at the faculty in a broader context. Furthermore, the role of the mentor is crucial for the student-intern to see the connection between the faculty and the working world.

Based on the collected responses from the faculties, students and companies, one could draw several general conclusions. The information indicates that the faculties are not fully dedicated to proper implementation of the MoES' Rulebook. The faculties should invest more efforts in building sophisticated systems for keeping records of the students doing student internships, as well as precise defining of the minimum criteria based on which an organisation is evaluated as adequate for student internship. In addition, they need to utilise their position of an entity capable of collecting huge quantity of data in the field of student internship that could help them improve the way it is regulated and implemented.

The role of the companies and firms

Companies and the firms play a big role in the transition from theoretical knowledge to its everyday practical application. It provides a process of development for the student as an individual who in the future should learn some working skills and how to communicate with the superiors, but also to contribute for the success of the company where s/he could be potentially employed. This is what the companies do by letting the students face the challenges and the experience that are outside of their comfort zone in order to find ways of overcoming them.²⁸ The firms and the companies have great benefit from implementing student internship for several reasons.²⁹ First of all, for the future professionals in a given field, by giving them an opportunity to get familiar with the working environment, and most of all to find an area that would suit the student-intern the most. Furthermore, new perspectives and new ideas open for the young people that could contribute for the development and the success of the firm or the company. It could be done at any time in the course of the year that leaves space for the company to assess what would be the best time for them to open their doors for student-interns. They could be training future employers and together to contribute for improving the social situation. And all that could be done for free, because there are no regulations requiring remuneration for student internship.

The goal of the interviews was to find out what are the practices of the firms and the companies in regard to student internships, starting from the fact how they select the student-interns, do they have a mentor, do they have an internship programme, are they and to what extent remunerated, and what are the shortcomings and the challenges they are faced with. Only firms and companies that signed agreements or memoranda for cooperation with the faculties were interviewed as part of the survey.

The average number of years that the companies have student-interns is five years, but one company stood out with ten years of actively working with student-interns.

When asked what the communication is like between the company's employees and the interns this answer stood out:

“One could say it is excellent. The interns are rarely sent to get some burek, but we think that they should be sent out to get breakfast and they should not be offended by it. They don't have a fixed time for break, but when it comes to going out for a coffee or to get something to eat we appreciate if they check first with us

²⁸ Today intern, tomorrow's hire: Why companies benefit from offering a meaningful internship experience; Cooper, Lana; SEER blog; 25/10/2016 (available at: <http://www.seerinteractive.com/blog/companies-benefit-offering-meaningful-internship-experience/>).

²⁹ Vodič za stručnu praksu; Kovačević, Aleksandra; Unija poslodavaca Srbije; Beograd; 2016 (available at: <https://www.poslodavci.rs/wp-content/uploads/2016/05/Vodic-za-strucnu-praksu.pdf>).

before going out. We consider that good manners. We would like to teach them to do elementary things, from a payroll to archiving” - Y₂ company.³⁰

The phrase “sent out to get some burek” was often used by the students. It refers to a situation when the student-intern is given an assignment that is offensive and devalues his/her capabilities and potential. One of the fundamental things why student internship is good is because the student is faced with challenges in the field of his/her studies, and not fixing drinks and buying food during breaks. This practice is frustrating for student-interns because it does not contribute to the development of their working skills. At the same time this practice is detrimental for the companies because they do not manage to get the maximum from the time the intern spends at their company.

Furthermore, we checked whether the companies and the firms have a separate programme for the interns. The Rulebook on conducting practical training does not state whether the firms or the companies should offer or develop a programme, and as a result we received different answers to this question.

Mmm, the interns receive their guidelines from the project managers. The interns get real assignments that are part of the everyday operation of the company. There is no special programme. We literally start with basic assignments and the project managers guide their interns” - X₂ company.³¹

In this company we tend not to have a specific programme for the students for the duration of their internship. We prefer to stimulate the interns to acquire new skills. However, if the intern has a programme, regardless whether it is provided by the faculty or the company, apart from helping the mentors and the interns it will also contain in writing all the criteria that the student is expected to meet.

“We agreed about the area of their work assignments, based in their interests and of course ours in order to be able to carry out some kind of internship. The internship is also thematic, and it is not general as in most of the companies” - X₅ company.³²

Even though the faculties do not have a programme provided to the organisations that provide internship to their students, the company has tried to develop its own based on the field of studies of the student-intern. In this way the student internship is defined specifically and the student is given a goal that s/he should achieve during his/her internship.³²

³⁰ V. M.; (9/3/2017); personal interview.

³¹ Z. T.; (16/3/2015); personal interview.

³² B. S.; (17/3/2017); personal interview.

When asked whether the student-interns have a mentor that is fully dedicated to them, they all answered positively.

“Yes, the project managers, and the office managers are the ones who know everything that is going on in the company” - X company.

“Everything is regulated. Each intern has an allocated mentor - Y company.³⁴”

“Apart from the human resources department, there are colleagues-mentors in all the other departments. We are flexible, because in some of the departments it could be that all the colleagues are their mentors. It is not strictly stated who is whose mentor, but internally it is organised who will be a mentor, logistics, admission, etc.” - Y₂ company.

All the interviewed companies said that they had mentors regardless whether it was stated or not in the company's internal documents. It only proves the fact that the companies and the firms take their job seriously when it comes to student-interns and they are dedicated in providing them with knowledge and teaching them new work related skills that would help them do their work assignments in the course of the internship.

In regard to the skills the students were missing, depending on the field of operation of the company, we received different answers.

“Communications. Even in writing. I'm just reading some of the CVs. Some of them are great, they are clear and for others I wonder what they were trying to say. Even understanding what the author was trying to say is a skill” - X₅ company.

“Literacy, command of the Macedonian language and grammar as well as basic computer skills” - Y₁ company.³⁵

Most of the answers were that they had basic knowledge i.e. that the interns had minimum knowledge of everything they studied at the faculty, but they did not know how to use it. Apart from that, they had problems with work related habits and communication with their superiors and colleagues. That was due to the fact that they had not been taught communication and 'soft' skills at school. This only confirms the need that the faculties should prepare their students more adequately for the practical training.

³³ 10 Benefits of Starting an Intern Program (available at: <http://www.internships.com/employer/resources/setup/benefits>).

³⁴ B. J.; (17/3/2017); personal interview.

³⁵ J. B.; (15/3/2017); personal interview.

When we speak about employment of the students, we were pleasantly surprised that nine of the companies employed some of the student-interns by giving them some kind of leverage when competing with other candidates for a given position.

“They get certain leverage. The leverage of a student that was an intern lies in the fact that s/he knows how the company operates and s/he already knows the basics. One should mention that procedures are not skipped. Unless, they are in the database they need to apply and then be interviewed. But regardless of the internship, they have to go through several processes required by the company before getting the job. Of course, if the intern proves him/herself during the internship, s/he will be contacted by us inviting him/her for an interview” - Y₂ company.

“They do not get any official leverage when applying for a job, but if we have three candidates and if one of them is our former intern and I was satisfied with him/her at the time, it will definitely be to his/her advantage. I know him/her, I know his/her work, etc. They do get some advantage, but it is not formally regulated” - X₂ company.

In addition the percentage of employed students, former interns at those nine firms and companies is between 38% and 57%, according to the responses from the companies. This is for the period since the companies started accepting interns until now. One could conclude that the companies prefer to employ somebody that was previously an intern there because s/he is familiar with the working environment and processes in the company. In that way the students feel safer because they are already familiar with the environment and the colleagues, and they are eager to improve the skills they already acquired from the company's mentor.

It is expected for the student internship not to be implemented according to legal regulations and to be missing many elementary things, starting from the necessary documentation, a work programme for the student, a mentor responsible for the student's education and some remuneration for the internship. Hence, the most important aspect from this survey are the recommendations for the improvement of the effects from the student internship by the companies and firms.

“The faculty has to accept the signed letter of confirmation for the internship done at our firm. I'm saying this because we had cases when they refused it. There should be some kind of a programme within the curriculum with a subject on practical training and to have the students assigned in the course of the whole academic year. In that way we would not have too many students during the summer. As we stated, the faculties should show interest in the students and

should motivate them to do internship. They should improve their relation with the companies that they cooperate with" - Y₂ company.

"Students should be informed about the benefits that student internship offers. They do it just to get their credits, without knowing how useful it is. They should understand that the intern should not only seat in the corner doing nothing, but s/he should do something useful. The Employment Service Agency of RM (AVRM) used to have a programme supporting interns i.e. young people. It was not bad, but it was too complicated to implement. If the interns were remunerated, and if AVRM were to cover those expenses from the budget, there could be greater interest for interns; it wouldn't be for nothing. In that way the companies would not feel bad for not being able to pay the interns. As I said, it is not only the remuneration, but also the overall resources of the company invested in training the intern. On one hand I do not want for the state to interfere and on the other hand we cannot open the eyes of the young people. They live in a Facebook bubble and have no idea what's going on in the real world. I would even pay them to spend a month abroad after graduation because some of them have not even been abroad. The problem should be approached in a systematic manner. This is my subjective opinion, and it requires further exploring" - X₂ company.

"It happens often. I don't know why the professors prefer not to make it easier for the students to find student internships. My recommendation would be to improve the cooperation between the companies and the faculties. This does not mean that student internship should be introduced as a subject in the curriculum. It is already mandatory. It is the communication between the companies and the faculties that should be improved, and the faculties should advise the companies on what are the things the students should know, and the company would focus on the know-how the faculty requires. Otherwise there is no point in signing a memorandum. That is the easiest thing to do. But providing a detailed programme is a whole new game" - X₆.³⁶

"There should be some kind of a standard that each company should have for each intern, what s/he should learn and how to do that. There is no communication and I believe, I'm convinced, that most of the interns are only in for the certificate, which is very bad. We brag with the number of graduates and when they come here, nothing, what can I say, empty heads that know nothing" - company X₅.

The opinion is such that there is no communication between the companies and the faculties when directing student-interns to firms where they could do their student internship. The companies and the firms believe that the faculties should seriously improve their communication with the companies, because the experience so far

³⁶ K. D.; (16/3/2017); personal interview.

showed lack of awareness and interest on the part of the faculties to motivate the students about internship at the companies. On the other hand the students believe that the scope and the complexity of the assignments given to them at the firms and the companies should be increased i.e. they should be given tasks that would expand their knowledge and thus the companies would make use of their potential.

Conclusions and recommendations

The idea behind this research was to offer a comprehensive analysis of the problems related to the mandatory student internship in the Republic of Macedonia. Within the process of establishing the factual situation with the practical training and the problems that stem from it we surveyed all the stakeholders. We reviewed the students' perception and their expectations, the characteristics of their internships and their views about the benefits from student internships. We have analysed the responses we collected from the faculties regarding the way the internships are regulated, registered and recognised and whether they help students in their transition from being students to entering the workforce. We have also consulted the companies i.e. the institutions where the internship are done and we have explored their relationship with student-interns, whether they prepare special programmes to develop their potential, what are the problems that they have identified and how could they be overcome.

According to the analysed questionnaires and interviews one could conclude that the students, both the ones who had participated in student internship and those who had not, as well as the firms, companies, and organisations believe it is necessary to develop working skills among the students and it offers them a broader scope of knowledge than the one offered at school in the field of their studies. However these benefits could be achieved only with active dedication by all parties.

The problem with the mandatory internship starts with the way in which it is regulated. The MoES represents a solid basis, but it is not sufficient to regulate the student practice. The fact that this Rulebook does not specify certain elements like the place where the internship could be organised and the criteria that need to be met by the institution where it is performed, is not a problem on its own. The problem emerges when the faculties do not show interest in amending this Rulebook in accordance with their internal policies and the nature of their fields of studies. However, even the provisions that are specified in the Rulebook are not fully respected by the faculties. This is evident from the absence of a mentor at the faculties as well as mechanisms that will keep records of the students who did student internship. This results in formally performed internships without any significant benefits for the students.

With systems in which the student internship is insufficiently regulated, the students find ways of circumventing it even though it is mandatory. The data collected with this survey testify of a big number of students that circumvent student internship, even though they agree that it should be mandatory. They demand financial validation of their labour, greater integration of the practical training in the faculty curriculum and work assignments that make use of their full potential.

Maybe the faculty could never fully prepare the students for the challenges of the working environment. However, as young and ambitious people they have new ideas and concepts what the working environment could look like and how to approach the challenges. However the companies do not understand this fact fully. This survey has confirmed that some of them remain inaccessible or they continue with the practices that result in outcomes that are not the best ones for any of the stakeholders.

The faculties are the ones with central role in overcoming these problems. They should be the ones to start amending the provisions in the Rulebook, building sophisticated systems of keeping records and establishing criteria that would evaluate the institutions where the student internships are organised. As a result the process of forging student internship certificates would become significantly more difficult. They could stop cooperating with companies that act like that and companies that give working assignments that do not correspond to the students' potentials and capabilities. In addition they should take a more active role in the process of informing the students about all the existing offers in the area of student internship following FINKI's example. The faculties must provide available mentors to the students involved in student internship and to have additional programmes that would prepare the students for the needs of a dynamic working environment. This practice will reduce the discontent of the organisations that offer internship and which note lack of working skills, working habits and communication skills among the interns.

The connection between the student-interns and the public institution or private company or NGO which offer internship should be based on mutual benefit. All the internship programmes that are created for student-interns should be based on the idea that the student-intern development means also development and benefit for the institution. All old-fashion concepts in working with students and using them for getting some food must be discarded from the current internships. The results from this survey could offer information about the characteristics of an internship that the students see as motivating and useful.

We believe that all the productive policies start with a relevant research of a relevant issue. The results from this survey could serve as indications, but they are not sufficient to see the whole picture and factual situation of the mandatory student internship. Our most important message is addressed to the faculties, universities and the Ministry of Education and Science. Since they are the institutions with huge capacity to collect the relevant data in the area of student internship their will and dedication are crucial in addressing the problems that are identified with this survey.

We hope that the findings presented in this paper will be used as the bases for

further theoretical reviews, researches and analyses that would be aimed at increasing the quality of student internship and would help the process of introducing students to the labour market.

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Youth unemployment - Opportunities and Challenges

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Introduction

Continuously, the high rates of youth unemployment have led governments worldwide to take measures to reduce it. Tackling this problem is of particular importance due to the effects that youth unemployment has both on individual and social level, taking into account the consequences that affect the entire national economy. The problem is also present in the Republic of Macedonia (RM), where rates of youth unemployment are already above 48 percent,¹ which indicates a high percentage considering the average European level of 9.5%.²

The majority of unemployed youth in the country are long-term unemployed. According to a survey carried out by the International Labor Organization³ (hereinafter ILO), 77,8 percent of the young people are looking for a job for more than a year, which in turn is a risk of depreciation of knowledge and skills and reduced prospects for future employment. The same survey displays also the long phases of transition from completion of education to first employment (2.6 years) which, in turn, further increase the costs for young people, and for the economic system in general. Despite the loss of investments in education, reduced tax base, large social costs, unemployment means a lost development potential for the country because the skills that younger generations possess are not sufficiently used in the development of the national economy. Finally, youth unemployment is one of the main factors of social exclusion and inequality, which, on the other hand, further marginalize and discourage the potential workforce.

Encouraging the employment is done through active policies on the labor market, which aim to move the economic trends and to improve the economic climate towards opening more job positions that will be available to young people. In addition, these policies aim towards increasing the motives, mostly financial, of the young people in finding job and staying at the job position. In Macedonia, unemployment is a problem which is handled by the Ministry of Labor and Social Policy in cooperation with the Employment Agency of the Republic of Macedonia (ESA). The measures that ESA implements are contained in the action plans which are prepared every 5 years and offer detailed content of the design of measures to be taken in the future.

Although these active policies consist of a number of measures and programs that complement each other in achieving a common goal, reducing youth unemployment, the focus of this paper will be the measures of a fiscal nature,

¹According to the Labor Force Survey in 2016, prepared by the State Statistical Office, the unemployment rate of persons from 15 to 24 years is 48.2%, while the from 25 to 29 years is 39%.

²According to the Labor Force Survey in 2016, prepared by the State Statistical Office, the unemployment rate of persons from 15 to 24 years is 48.2%, while the from 25 to 29 years is 39%..

³Mojsoska-Blazevski & SSO 2016.

namely, measures to stimulate self-employment, as well as subsidized employment of unemployed young people. Self-employment is initially stimulated by offering adequate training for young people who want to open their own business. In addition, a financial support is offered for opening or for further growth of small businesses.

Subsidizing employment of unemployed young people up to 29 years, however, is initially led by the regime for exemption of social security contributions, which is prescribed by the provisions of the Law on employment and insurance in case of unemployment.⁴

Since these measures carry certain costs borne by the budget, the aim of this paper is to analyze their effectiveness and economic viability. Through examination of companies that use these subsidies to hire young people, we will show whether the subsidies were necessary for the employment that these companies have made in the period. In terms of measures for self-employment, will be examined their design and through findings from the literature will be shown their deficiencies together with recommendations which may be supplemented or corrected.

In continuation, it is shown the research methodology, with a detailed description of field research. Furthermore, follows a brief description of the active policies in the country with a focus on opportunities that young people have in terms of self-employment. The third section analyzes the subsidies as a measure, with a major focus on the design of the measure shown in the action plans prepared by the Ministry of Labor and Social Policy. The fourth section addresses the primary analysis of youth employment in the country, while the fifth presents the results of field research. The last section provides conclusions and further recommendations.

⁴Specifically, Article 98-b of the Law on employment and insurance in case of unemployment.

Methodology

The analysis of youth employment measures, which will be offered in this paper, focuses on one central question: *what are the actual costs arising from the implementation of the measures for encouraging the employment*. This question is difficult to answer through a simple division of costs by program with the number of beneficiaries of the program because in that way, so many effects are isolated from the final result and it does not represent all implicit costs arising from the program. Therefore, the hypothesis of the research takes into account the effects caused by the measure as follows: subsidizing youth employment carries higher costs than those envisaged.

Due to specific effects, such as the substitution effect and the effect of "dead costs" allocation (described later in this paper), the policy of reducing youth unemployment brings more costs than its creators assume and calculate in the action plans for implementing the measures. To that end, this paper takes a broader framework for analysis. The analysis refers to the measures offered in the action plans of the MLSP and is divided into two parts: **first** the self-employment program, and the **second** focuses on the measure to facilitate employment of young persons (subsidizing).

In terms of measures for self-employment, initially examined in detail is the design of the measures described in the Action Plan and the operational guidelines for active programs and measures for employment and services in the labor market. Furthermore, an interview has been conducted with the responsible person of the Ministry of Labor and Social Policy. The purpose of the conducted interview is to find out whether (and where) the measures fail in order to be able to give appropriate recommendations. Additionally, reviewed are the reports on the effectiveness of the measures prepared by MOT, as well as analyzes of the main obstacles that young people face. The data regarding the extent of self-employment in Republic of Macedonia, the reasons young people who decide to open their own business, the obstacles they face and the sectoral distribution of small businesses, demonstrate the effectiveness of policies.

In terms of subsidies, the analysis begins by investigation of the effects that they cause. Through literature review, where similar policies implemented in different countries are described and analyzed, will be discovered the effects that are usually found in the interventions in the labor market.

If the results confirm our hypothesis, further in the paper will be given guidelines where the design of the measure could be improved, in order to reduce the costs and improve the measure.

Primarily, using data from the State Statistical Office (hereinafter SSO) are offered stylized facts about the Macedonian labor market in terms of youth. Furthermore, a field study has been made, that examines the use of subsidies by companies. Unlike previous research (Mojsovska-Blazevski & Petreski 2015, Betcherman et al 2004, Katz 1996, Card et al 2015, Kluge & Schmidt in 2002, Calliendo & Schmidl 2016), this takes a different approach, the sample that is selected consists of companies rather than individuals. Although this approach is limiting in terms of research on the effects on young people (salaries they receive, the degree of job satisfaction, etc.), it answers a particularly essential question: which type of companies are the users of the measure? By answering this question, we can examine the efficiency of the measure. If the user companies are the same companies that make growth and development, then the employment growth in that company is not due exclusively to the subsidies, i.e. the subsidies were not a necessary condition for the company to employ. For this purpose, we constructed a **random sample of 800 companies**⁵ to whom we sent a questionnaire. The questionnaire refers to the size of companies, their internal growth rates, and the experiences of using subsidies. We received 80 responses, which, though small, are a sample that is sufficient for extraction of indicative conclusions. Through analyzing the responses, you can see whether these companies are in need of subsidies to employ young people.

⁵Since we were presented with a list of companies users of ESA, the sample must be from randomly selected companies. Companies are selected randomly from the list of Macedonian companies. According to ESA, 5.542 companies have used the possibility of subsidized employment.

Active policies of the labor market

Active policies of the labor market (hereinafter - ALMP) are a set of measures that the competent institutions⁶ take to stimulate the offer (trainings), demand (subsidies for employment, socially useful paid work) or to improve the functioning of the labor market (job placement services, notifications for scarce occupations etc.). The primary objective of the active policies is to increase the employment rate and / or to increase the income of the employees. A secondary objective is to maintain the activity rate, i.e. maintain the motivation of the workforce to stay in the labor market looking for job. Active policies are more effective when implemented in countries with large initial unemployment when aimed at stimulating private sector (Kluve 2010), as is the case with the active policies in Macedonia.⁷

Budget costs accounted for active policies in the country are under 0,1% (Mojsoska-Blazevski & Petrevski 2015) of the GDP. Although the level of costs is comparable to all the Western Balkan countries and even some EU member states (Estonia and Slovakia) it should be taken into account the level of unemployment which should be reduced by the measures. In this regard, the cost of ALMPs are still small. In 2013, the Macedonian government has spent about 50 euros per unemployed person, while the smallest costs in the EU range from 53 euros in Romania, to 210 euros in Bulgaria and Croatia (Mojsoska-Blazevski & Petrevski 2015). Given that the latter countries have youth unemployment rates that are similar to the one in Macedonia, it is evident that it is needed greater funding of ALMPs in this country.

By 2014, the active policies of the labor market in Macedonia are focused on increasing the labor supply, by implementing measures that facilitate the transition of young people into the labor market. Starting from the National Youth Strategy adopted in 2005, all subsequent action plans (2006-2008 2009-2010) put their focus on trainings for training of young people, without having to take relevant measures to boost the labor demand, by motivating companies to create more jobs.⁸ While it is difficult to confirm the exact reasons behind the big youth unemployment, however, the relatively large period until the first employment⁹ among those with a university education is an indicator which shows that the problem is on the demand side, i.e. the low capacity of enterprises to absorb the young labor force. Therefore, recent action plans¹⁰ have begun to implement measures that are aimed at those who are creators of jobs (employers), not only to the unemployed youth.

⁶ In this case, ESA and the Ministry of Labor and Social Policy.

⁷ In Macedonia, the initial level of unemployment of young people is high (48.2% of young people aged 15 to 24 are unemployed), and programs are mainly aimed at stimulating the private sector.

⁸ Betcherman G., Daysal M., Pages C., Do Employment Subsidies Work? Evidence from Regionally Targeted Subsidies in Turkey, IZA DP No. 3508, May 2008;

⁹ Blundell R., Meghir C., Active labour market policy vs employment tax credits: lessons from recent UK reforms. Institute for Labor Market Policy Evaluation, January 2002;

¹⁰ Blanchflower G.D., Freeman B.R., The Declining Economic Status of Young Workers in OECD Countries, NBER, January 2000;

Effectiveness is measured in the number of jobs increased, but taking into account the expenses incurred for the creation of such job positions (Betcherman et al 2008). Evaluations are carried out by institutions that implement ALMPs do not show the true picture of the effect of the measures. First, evaluations generally do not follow up the results after the program, so the long-term effects are not shown. Second, the institutions often equate the number of those participating in the program with the increased number of job positions, but this is not the real result.

Many of those employed through the measures could perhaps find a job even without their existence, and the percentage of these persons is important in order to be able to estimate the cost, and therefore the viability of the entire program. For example, in periods of economic expansion, the overall employment is rising and with it, the level of employment of young people. This means that the increased employment of young people is not necessarily due to the stimulus measures. Additionally, intervening in hiring a group of people can contribute to increased employment of this group at the expense of other people with similar characteristics. For example, employers may prefer only subsidized (young) workers, and thereby to dismiss the older, while the level of general unemployment will remain the same. Taking these two effects¹² into account, the real created jobs and thus the lower unemployment, may be much smaller than those initially conceived as a result of the program.

Self-employment of young people

One of the policies to reduce the youth unemployment, which is consisted in the action plans of MLSP is stimulating the self-employment, i.e. motivating young people to open their own business and use their entrepreneurial skills. The motivation for this policy mainly resulted from the positive effects (Berry 2007, Haltiwanger et al 2010) that small businesses have on an economy in terms of GDP growth and employment. Additionally, self-employment, in addition to stimulate the development of small businesses in the country, is suitable method for solving a problem that has been little explored in the literature - the inadequacy of skills that young people acquire with those skills that are required in the labor market. This is particularly a problem in less developed countries where the economy is primarily driven by sectors with low added value, using low-skilled labor (Mahy et al 2015). Proof of this is the example of the Republic of Macedonia, where in the absence of large established companies that would have hired computer science graduates, the IT-sector consists of mostly small companies that are shaped by young people who have opted for self-employment option.

¹¹ MLSP and ESA prepare reviews of the progress on each action plan implemented.

¹² In literature are known as the effects of cost allocation (dead-weight loss) and the substitution effect.

In Macedonia, the small and medium enterprises (SMEs) comprise 99.7% of the total number of enterprises, 79.3% of the companies with less than 9 employees, which indicates their importance in terms of employment potential. As a comparison, SMEs in 2012 encompassed 99.65%, and in them were employed 80.5% of the total number of employees (Dimovska 2013). This shows the potential of the small and medium businesses to absorb excess labor, i.e. opportunities that these businesses offer for employment of young people. In terms of young entrepreneurs, only 0.4 percent of unemployed young people had the opportunity for self-employment (Mojsoska-Blazevski & SSO 2016), which in turn is due to the low motivation of young people to become entrepreneurs, and it can be resolved through educational reforms (Kourilsky & Walstad, 1998), or due to the weak opportunities that young people face, which can be solved through reforms in the system of financing and regulation of small enterprises (Chigunta 2002).

Although research shows that small businesses are the biggest creators of jobs (Haltiwanger et al 2010), however, these businesses usually start with very few employees and therefore need certain measures which would represent an additional motivation for the expansion of the enterprise, ie to increase the number of employees. In addition, the Action Plan¹³ mentions that "The data on the labor market for young people show that youth employment is not growing adequately with the growth of gross domestic product (GDP), which indicates the existence of structural rather than cyclical problem; restrictions on supply and demand." This means that compared with the overall unemployment, the trend of youth unemployment¹⁴ does not correspond to the stage at which the economy is, which in turn means that the problem of youth unemployment is not only needed for the growth of the business sector, but it is also needed a special stimulus for companies to require young workforce. *This is an opportunity the effect of the measures for self-employment to be further reinforced through subsidies for employment of young persons, analyzed later in this paper.* If the measures for self-employment result in fewer unemployed young people and more micro companies formed by them, subsidies can help the growth of these companies, while thus realizing the imaginary goal: employment for more young people.

However, the results that these measures are accomplish are generally ambiguous, on the one hand, they increase the perception of successful self-employment among program beneficiaries, but on the other hand, the data on their employment after completing the program shows that their true chances are not increased at all. This means that although participants remained in the labor market longer, their chance of employment was the same as those who did not participate in the self-

¹³ Action plan for youth employment 2016-2020, page 25.

¹⁴ Action plan for youth employment 2016-2020, page 25.

¹⁵ According to the Strategy for Entrepreneurial Learning in the Republic of Macedonia 2016-2020.

employment program (Mojsoska-Blazevski & Petrevski 2015). This means that the program imposes large allocation costs and its mechanism should be revised.

Entrepreneurial education

Past research (Mojsoska-Blazevski & SSO 2016, Serafimova & Gjorgjiovska 2016, the YES incubator) for the entrepreneurial spirit of young people in Macedonia provide unsatisfactory results. Namely, young people see self-employment as a second option for employment, which would be selected in the absence of available jobs that offer satisfactory conditions. According to a survey conducted by the ILO, 53.4 percent of self-employed workers reported that the main reason for their self-employment was the inability to find work for a salary, while 41.8 percent said that self-employment was their first choice (Mojsoska-Blazevski & SSO 2016). This shows that young people in the country are not fully aware of the personal benefits (flexible working hours, independence, control over their own initiatives etc.) that the self-employment brings, but on the contrary, they consider it the last option which is used in case the young man found employment for a salary. These data call for higher education reform in the direction of encouraging entrepreneurial spirit. In this regard, the Ministry of Education has introduced certain policies relating to entrepreneurial learning and are aimed at introducing compulsory courses for learning the basics of business and entrepreneurship in secondary education. Additionally, the program includes promotion of entrepreneurial learning opportunities in higher education, as well as certain forms of non-formal education.

However, the effectiveness of these compulsory courses in fulfillment of the objective should be evaluated to see their effectiveness and the need for further reform. In this regard, the research (Chamard 1989, Hammer 2000, Serafimova & Gjorgjiovska 2016, Betcherman et al 2004) show that motivating young people to entrepreneurship is more effective if it is done through informal channels such as trainings or initiatives that stimulate competitive entrepreneurship as competition for business plans or company simulation. However, nor MES or MLSP do not realize cooperation with NGOs, which, in turn, is largely directed specifically to the field of non-formal education. The potential for upgrading policies lies in the additional financing of successful initiatives undertaken by NGOs, because NGOs are experts in the field of specific training (eg. training for leadership), they have better results in terms of effectiveness of the training, but generally they have a problem with regular financing of their work. The cooperation between ministries and NGOs can significantly improve the effectiveness of the measures to stimulate entrepreneurship by funding the best programs offered by NGOs. In addition, education should be focused on raising the entrepreneurial spirit as early as possible. Students are more motivated to start their own business and successfully lead it when their entrepreneurial education begins in the early years (Ladzani &

Van Vuuren, 2002). The research for the educational process and entrepreneurship (Banaszak & Kent 1990) shows that entrepreneurship is best learned in elementary school, specifically from sixth to ninth grade. Currently, our education system puts entrepreneurship as a compulsory subject even in high school, it may be too late because young people are often attracted to a particular profession when enrolling in secondary school. The reforms in this regard can significantly improve the situation of unemployment by orienting young people to open their own business, which will further increase and further employs.

Noncompliance of the skills

Noncompliance of the skills is shown as a factor that greatly affects the unemployment rate. For example, a survey of Sahin et al (2004) shows that the noncompliance of the skills explains a third of the growth of the unemployment rate, which shows that possessed skills can seriously affect the overall employment rate. In terms of young people in Macedonia, studies (Atanasovska et al 2015, Mojsoska-Blazevski & Kurtishi 2012, Mojsoska-Blazevski & SSO 2016) show that the problem is present in the Macedonian labor market. Namely, excessive education is present in 14.5% of total employment (Mojsoska-Blazevski & Kurtishi 2012), while 36.7% of the young people are over-educated for their job (Atanasovska et al 2015). This shows us that it is necessary to implement more tools for forecasting the skills that will be needed in the labor market in order to guide young people towards scarce skills.

Currently, MES uses an observatory of skills,¹⁶ but her detailed review and evaluation of performance are not available. Predicting future skills and directions in which the labor market is moving, can help in achieving the desired outcomes to guide the young people to their desired jobs. Of course, this information should be carefully thought out. Most recommendable option would be mandatory career counseling that will inform today's pupils / students for careers that will be available in future and the conditions and salaries that those careers offer.

¹⁶ Action plan for youth employment 2016-2020, page 36.

Enhancing the access to finance

In terms of the problems faced by entrepreneurs, as the main reference is the access to finance which prevents the formation and / or growth of small enterprises. In the literature (Kerr & Nanda 2009, Schoof 2006, Chigunta 2002), access to finance is identified as a major obstacle to youth entrepreneurship, as probably is the case in Macedonia. Thus, the ILO survey shows that 21.4% of self-employed young people indicated the access to finance as a problem (Mojsoska-Blazevski & SSO 2016). Compared to 2012, where funds were mentioned as a problem by 46.8% of self-employed persons, we can see that this problem is on the decline, indicating that measures for aid in financing undertaken by the MLSP and ESA,¹⁷ however have some effect.

Another evaluation shows that the measures bear large allocation costs. Although the subjective perception of success is increased in those who participated in the program, the measures had no impact on the success of young entrepreneurs. Rather, applicants to the program were people with a great chance of success, their characteristics, degree of motivation, education and business idea makes their prospects for success good, whether participating in the program or not (Mojsoska-Blazevski & Petreski 2015).

This indicates that the program can be improved in the following fields:

- 1) A better mechanism for determining the potentials and their purpose. The amount of a given financial assistance should vary accordingly to the type of business, technology that is required for running the business, the chances of alternative sources of finance, etc.;
- 2) Keep an eye on the relationship between the number of participants and the assets given in a form of a grant. The funds can more productively be used if the number of participants in the program is increased, but the financial assistance per beneficiary is reduced;
- 3) The priorities of the policy for regional, industrial and sectoral development to be considered when granting financial assistance;
- 4) Strengthening and expanding the training component. This, on the one hand, can increase the chance of survival of the business, and on the other hand, can train potential entrepreneurs to access to other sources of funding (development and commercial loans, public-private partnerships, EU projects¹⁸ etc.).

In terms of crediting, the main difficulty of young people is providing coverage (collateral) to take loans from financial institutions (Chigunta 2002).

¹⁷ In the Action Plan up to 2015 and the plan for 2016-2020 year, envisaged were non-refundable grants in form of equipment and materials.

¹⁸ Use of opportunities offered through the funding programs of the EU (European Regional Development fund, European Social Fund, EU Programme for employment and social innovation).

If further is taken into account the fact that young entrepreneurs are at greater risk in the market, it is clear that fewer young people are encouraged to turn their idea into a business. One way in which this problem can be solved is by increasing the cooperation with institutions supporting the development of companies, such as business incubators. These institutions do not require material cover, but as “cover” for the leased assets take the business plan (assessment of the success of the idea), meaning that good, potentially profitable ideas that can grow into successful businesses, will not go unnoticed. Currently, MLSP provides grants of 3,000 euros for launching start up, with an additional 1,500 euros for each subsequent innovative idea from the same company.¹⁹ Finances are provided without any additional requirements in terms of experience, level of education or initial capital, but to obtain them, the idea / business should be evaluated by a committee.

This mechanism can be further improved by further offering of expert assistance to the company which has received a grant, because the programs that offer mentoring and training for running the business with the grant, have proven successful (Mojsoska-Blazevski & Petreski 2015, Betcherman et al 2004). Although the initial idea may be profitable, young people due to less experience in doing business, often face obstacles of an administrative, legal or market nature, which means that additional technical assistance would increase the chances of success of the business.

Visibility of financial assistance programs

Financial assistance programs should be more promoted to increase their visibility. If you see the results of a survey of the ILO, only 5.4% of the entrepreneurs have taken loans from the bank, and only 1.3% used some of the government's measures for financing (Mojsoska-Blazevski & SSO 2016). Additionally, the research of the YES Incubators²⁰ shows that 49% of respondents believe that there is some support, but half of them do not know which institutions work in the field, only 13% were fully informed of the institutions and organizations responsible for helping small businesses. This shows that measures of ESA for financing young businesses need to become more visible to potential young entrepreneurs who have a problem with finding a source of funding for their idea. According to MLSP, companies are informed about the services which ESA offers through regional forums with employers and information via SMS. However, these methods include only businesses that already exist, and are not targeted at those who are still in the stage of idea, i.e. young entrepreneurs who would start working in the future. Extending the visibility can be done through cooperation with

¹⁹ Operational Plan for active programs and measures for employment and services of the labor market for 2016, page 10 and 11.

²⁰ The interests of young people in Macedonia to start their own business as a solution to unemployment in 2013.

²¹ According to the operating instructions, for informing and inviting the participants are used written notices, phone contacts, text messages, information on the web portal of the ESA and others.

incubators, networks for support of entrepreneurship and student organizations, where you can access more aspirational young entrepreneurs.

Last, the chances should be seen in the expansion of cooperation with institutions that predominantly work with young people. For example, universities are not used enough in terms of promotional activities that would have indicated the young people where they can turn if they want to engage in the labor market as self-employed or as wage employed. The low awareness of young people about the opportunities offered by ESA, prevents many ideas to grow into businesses, while low awareness of trends in the labor market leave many people with education in a field that offers less desirable career.

Expanding interest groups

Although in public discourse are often forgotten, the literature identifies another type subgroup that suffers enormous consequences of unemployment. Namely, the proportion of the population who are not in the education process, not involved in any form of vocational training and are unemployed are called NEET²² and in Republic of Macedonia count about one-third (31.9%) of the young people (Mojsoska-Blazevski & SSO 2016). These are usually young people who are frustrated by the long process of finding a job or do not have sufficient capacity to engage in the labor market. According to the ILO, most of the NEET people (62,6 percent) are unemployed non-students, and the remaining 37,4 percent are inactive non-students. Taking into account the long stages of the transition²³ to the first job that young people face, it can be concluded that young people in the country are under serious threat of loss of accumulated knowledge and skills and the deterioration of their economic situation. This, in turn, further burdens the budget, because the large and long unemployment means that more young people are more dependent on social benefits which are guaranteed in the event of unemployment.

Although the resolution of this problem is a particularly difficult task, solutions should be sought in:

- 1) Repeated encouragement of those who are out of the labor market for a long time by offering subsidized wages. Currently, this subsidy is only for people with disabilities and disadvantaged individuals, and can be further extended by identifying NEET-persons;
- 2) Streamlining these people to sectors that are rapidly growing, and the ability to work in them can be obtained in a relatively short time (for example, training for programming);

²² NEET - not in education, employment or training.

²³ NEET - not in education, employment or training.

3) Offering options for self-employment in sectors such as agriculture, handicrafts, etc.

In addition, the ILO survey shows that the percentage of NEET in rural areas is slightly higher (34.2%) than in urban (30,1%) (Mojsoska-Blazevski & SSO 2016). This means that a large percentage of NEET people are located in less developed regions, where economic activity is low. Cooperation with regional and sectoral chambers offers a chance to stimulate the sector, which would act as absorber of the unemployed young people in the regions in which these persons are present in a large percentage. For example, greater focus on sectors that are dominant in a particular region can stimulate young people to stay in the region and see their future as self-employed or entrepreneurs in that sector specifically. Although current cooperation between ministries gives necessary data to MLSP for the development of these sectors, cooperation with chambers may give additional opportunity to exploit the previously missed opportunities, specifically in the regions where they are most needed.

Subsidizing the employment of young people

The main argument for subsidizing the employment of young people is the fact that young people have difficulties to find their first job (Kluge 2010). Namely, young people come to the difficult first employment because they have less experience than older workers and because of that are less demanded by the employers. The subsidy is a financial compensation and incentives for hiring workers with little (or no) experience.

If we look at the unemployment rate of young people compared to older people, we will notice a much greater rate in younger individuals. In Macedonia in the second quarter of 2016, the unemployment rate of young people (15 to 29) was 43.60%, while the overall unemployment rate was 24%. A potential explanation for this lies in the elasticity (sensitivity) of the aggregate supply and demand, which is much higher among young people participating in the labor market. On the demand side, the reasons lie in the smaller investments that the company makes for the young workers. In addition, young workers still do not have gained experience in the company and when it comes a period of economic crisis, young people are first on the list for dismissal (O'Higgins 2001). On the supply side, the reasons are associated with relatively small opportunity cost that young workers face. Namely, because the young people receive lower starting salaries, and thus have lower costs that should be funded (eg. family), they can afford to change jobs frequently and therefore often voluntarily leave. The research of Blanchflower & Freeman (1996) shows that in the US, young people 16 to 25 years typically change seven or eight jobs before finding more permanent employment. Of course, this study should be taken with caution, because the availability of jobs depend on the local labor market and youth in certain countries perceive changing job positions as "luxury" that they can not afford, because it is very possible at the end to remain unemployed.

The legal provision adopted in 2014,²⁵ establishes tax relief for hiring young people, which in turn should motivate labor demand in the country. Namely, Article 98-b²⁶ of the Law on employment and insurance against unemployment, exempts from paying contributions for compulsory social insurance for 12 months, all employers who hire persons under 29 years.²⁷

According to literature, this measure should motivate or create new jobs and / or substitution of non-subsidized workers with subsidized (Calmfors 1994). The mechanism is quite simple; subsidy reduces labor costs borne by employers, so they can create jobs. But also the subsidies that are given to a group of people can cause employers prefer workers who come from that group at the expense of other workers, i.e. to substitute workers employed without subsidies for those employees with subsidies. In this case, the number of jobs would remain the same and effectiveness of subsidies would be reduced. Subsidy which grants the ESA, the problem with the substitution effect is solved by the criterion required by the statutory provision: no dismissals during the period when the subsidy is used.

In addition, the effectiveness of the measure depends on the allocation costs²⁸ caused by the measure. For example, if a particular person would be employed in the absence of subsidies, but the employer however uses them, then the subsidies would be a wrong allocated resource, i.e. unnecessary expense. Analyzing at macro level, the results of this measure are difficult to estimate, the reduction in unemployment may occur due to the larger economic growth, i.e. not necessarily due to subsidies. Additionally, it is difficult to know from the employers what is the number of persons who would have been employed in the absence of the subsidy. However, research shows that allocation costs range from 53 to 70% for programs that include identifying specific persons, while for those programs that do not identify, the allocation costs tend to reach up to 93% (Marx 2001).

The allocation cost is higher in those programs that do not identify specific employers or unemployed persons, because in that case subsidies are available to all, including those who do not actually need them. What can be seen at first glance regarding the subsidies implemented by ESA, is the lack of a mechanism for identification. Neither the Law²⁹ nor by what is stated in the action plans, can not be seen the detailed criteria for use, which means that any company, regardless of its size and level of development, can use these subsidies. From this comes out the possibility the measure to have large allocation (dead) costs arising from inefficiency. Namely, the granting of subsidies, ESA can not discriminate between

²⁵Official Gazette 44/2014.

²⁶Official Gazette 44/2014.

²⁷Official Gazette 44/2014.

²⁸Во литературата се сретнуваат како dead-weight losses и се дефинираат како трошоци кои настануваат поради грешна алокација на одреден ресурс.

²⁹Закон за вработување и осигурување во случај на невработеност, член 98-б.

The evaluation made by the ILO shows that subsidized employment program is effective in improving the chances of the unemployed to find a job (Mojsovska-Blazevski & Petrevski 2015). Research shows that the level of employment of these persons is lower after the program ends, indicating that employers dismiss the employees as soon as the period (12 months) in which they are required to maintain them finishes. A potential explanation for this is the stigma effect, employers want to employ workers who were previously part of the public programs that financially underpin their employability. Stigma effect usually occurs in measures aimed at socially disadvantaged persons (Katz 1996), but in some cases subsidies may also signal substandard workers (Burtless 1985). Employers believe that workers who are part of these programs have poor qualifications and therefore are sponsoring their employment. Consequently, after the finishing of the financial incentive (subsidies), employers do not want these workers in their companies and do not employ them on long term. The same evaluation shows that the program for subsidized employment there is a large percentage (44%) of people who are long-term unemployed (Mojsovska-Blazevski & Petreski 2015). While this sounds reasonable, given priority in hiring long-term unemployed people, it still needs to look at how exactly these people contribute to the relative (un)success of the program. For example, people who are long-term unemployed are people with a greater likelihood of worse qualifications, which in turn contributes to the stigma effect shown above. Last, the subsidies are more successful if they are accompanied by additional measures aimed at increasing the skills of young people or adapting the skills needs of the labor market (Card et al 2015, Kluve & Schmidt in 2002, Calliendo & Schmidt in 2016, Betcherman et al 2004). Consistent with this, the action plan identifies education and skills of young people as the main obstacle to their employment and therefore includes a package of measures aimed towards the above mentioned. Additionally, through these measures it can be improved the resolution of individual problems plaguing the Macedonian labor market, such as the inadequacy of professional skills, reducing the relevance of higher education, lack of qualified personnel in different sectors etc.

Taking these findings into consideration, the central question that is required to respond to this survey is whether the subsidies in the form of exemption from payment of social contributions are used by companies who truly need it, i.e. whether the employment that have occurred would have occurred without the employers to be further financially motivated. Further in this paper, this question will be answered through field research of Macedonian companies.

Primary analysis of the labor market for young people

Article 98-b³⁰ which establishes the subsidies for young people, comes into force on 13 March 2014. In further analysis we will show the effect on employment with regard to the period after the adoption of the law. The first indicator is the increase in jobs. In the lower chart, we can notice that at the beginning of 2014, the total number of jobs has seen a slight increase, which could be due either to the general economic growth and the effect of subsidies. The most obvious increase in jobs is in the small and medium companies, which would mean that if the increase is due to subsidies, the companies of this size would be the greatest users of the measure. Unfortunately, statistics of usage of the measure by type of companies are not available, so currently we can not locate whether subsidies are responsible for the growth of jobs in these companies.

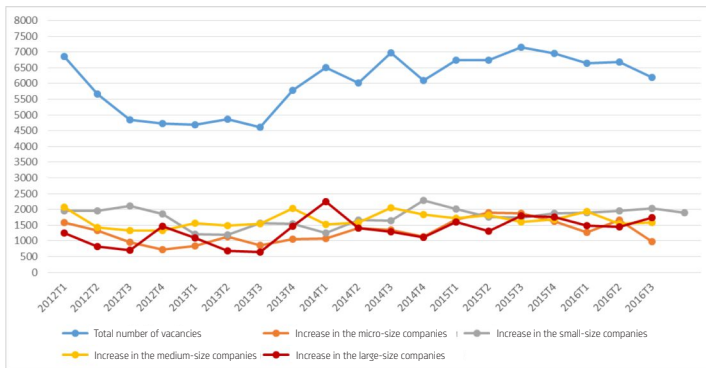


Chart 1: increasing trends of job vacancies

In terms of unemployment, we see that in 2014 the total unemployment is declining, as is the case with youth employment. Specifically, the percentage of young people from 25 to 29 years has seen a minimal decline (from 39.30% to 39%) compared to total unemployment, which in this period decreased by almost 2 per cent (from 28% to 26.10%). However, the biggest reduction appears among the youngest persons 15 to 19 years. During the period, unemployment of these persons decreased by over 17% (from 63.50% to 46,10%),³¹ which would mean that the measure had a potential impact on the employment of these persons.

³⁰ Law on employment and insurance against unemployment.

³¹ Same.

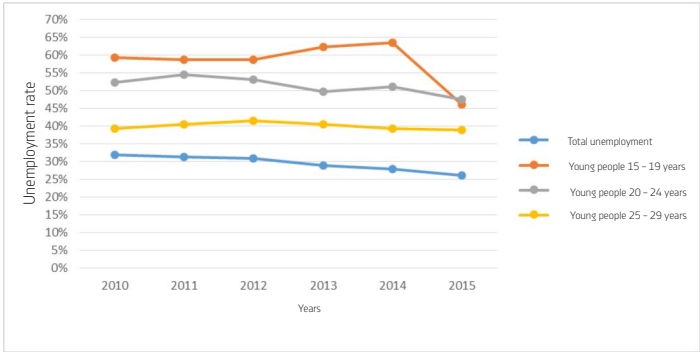


Chart 2: movement of unemployment rates

At last we analyzed the rates of activity, employment and unemployment of young people 15 to 29 years. In chart 3 we see that the activity rate is around 50%, with a rapid decline that began in mid-2015, from 50.20% to 47.40% in mid-2016. The unemployment rate also dropped by over 2 percent (from 45.70% in early 2014, the 43.60% in mid-2016), while employment is around 27 percent in the period. The decline in the rate of activity is mainly due to the reduced activity of people aged 25 to 29 years, which has fallen by 7.5 percent (not shown in the chart).

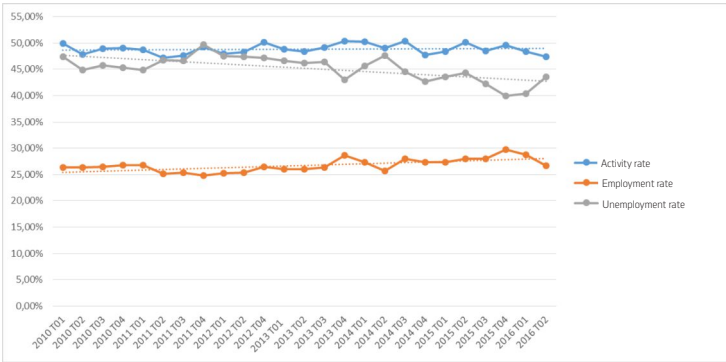


Chart 3: movement of rates of activity, employment and unemployment among persons from 15 to 29 years

From the everything mentioned above, we can conclude a few things for the analyzed period:

- The number of vacancies in the period has seen a slight decrease;
- Reducing the overall unemployment does not coincide with the reduction of youth unemployment (except for persons from 15 to 19 years);
- People with primary and secondary education recorded the largest decreases in unemployment rates;
- Youth unemployment rates are declining.

Here, it is important noting that according to the data obtained from ESA,³² in the period are established 12,186 working relationships from 5,522 employers who are users of the measure for subsidizing youth employment. Companies users of the measure represent 8% of the total number of enterprises³³ in the country. If you look at the number of established working relationships of young people,³⁴ there should be a decline of the unemployment of 12%. However, in our analysis we can not perceive this decline even during the greatest reduction in unemployment dropped by only 6 percent (from 45.70% to 40% at the end of 2015).

Results from field research

The performed field research included 800 companies who were sent a questionnaire about their experiences regarding the use of subsidies for youth employment in relation to the number of young people that they employed and the effect on their wages. Feedback was received from 10% of companies, so that our sample consists of 80 companies (N = 80). The structure of the companies in terms of size is given in the following table:

Company size	Frequency	Percent
Micro (0-9 employees)	32	40%
Small (10-50 employees)	32	40%
Medium (51-250 employees)	8	10%
Large (over 250 employees)	8	10%

³² Information obtained through a request for access to public information.

³³ Information obtained through a request for access to public information.

³⁴ Information obtained through a request for access to public information.

Familiarity with the measure

Of the 80 companies, only 67 (83.75%) are familiar with the measure subsidies. From 67 companies that were introduced with the measure, only 24 (35,82% of them and 30% of the total sample) are users. The remaining portion, i.e. companies who are not familiar, are mostly micro and small companies (34.38%). If we add to this medium companies (25%) as well, we can see that the companies that are the engine of growth and employment in the country are less acquainted with the measure. It is important to note that the familiarity with the measures affects its administrative complexity and costs posed by the complexity (Lamberts 1993, Ameels et al 1994).

This streamlines the fact that micro, small and medium-sized businesses should be actively informed about the measure, by which could be expected better results in the use of the measure and a better effect on youth employment. Additionally, the redesign of the measure in terms of its administrative simplification could contribute to a significant increase in the number of users.

Company size	Familiarity with the measure		Users of the measure		
	Yes	No	Yes	No	No answer
Micro (0-9 employees)	81,25%	18,75%	40,63%	50,00%	9,38%
Small (10-50 employees)	84,38%	15,63%	31,25%	59,38%	9,38%
Medium (51-250 employees)	75,00%	25,00%	0%	100,00%	0%
Large (over 250 employees)	100,00%	0%	12,50%	87,50%	0%

Internal growth rates and increased employment

Regarding the employments made by the companies from the sample, we can notice that micro and small companies mostly open new jobs. Thus, micro and small companies have the smallest percentage in companies that do not have employment and a large percentage of employment growth, which shows the rate of 3 to 5 new employments (44% and 50% respectively). Additionally, their employment growth rates in the company coincide with the rates of employed young people in their companies, which shows that these companies are a significant absorber of the young workforce in the country. *This only complements the conclusion that more activities should be undertaken to inform micro, small and medium-sized companies about the possibilities of the measure for subsidizing young people.*

Company size	Number of new employment						
	0 new employment	1-2	3-5	6-10	11-30	31-50	51 +
Micro (0-9 employees)	18,75%	31,25%	43,75%	6,25%	0%	0%	0%
Small (10-50 employees)	3,13%	3,13%	50%	18,75%	21,88%	3,13%	0%
Medium (51-250 employees)	25%	0%	0%	0%	25%	37,50%	12,50%
Large (over 250 employees)	25%	0%	0%	0%	0%	25%	50%

In relation to young people, 13 companies (16.25%) of the sample do not have employed young people. 15 companies (18.75%) have 1-2 young people. 3 to 5 young people have been employed by 26 companies (32.5%). From 6 to 10 young people have 7 (8.75%) companies. 14 (17.5%) companies have from 11 to 50 young people. Only 5 (6.25%) companies have over 50 employed young people. Of the 6,998 total employees in the sample companies, 1,569 are young or average, only 22% of the employees in these companies are young people, which clearly shows that *it is necessary to redesign the measure or other motivation for the companies to employ specific young people.*

Company size	Planned increased	The measure affected the selection	The measure did not affect the selection	Residue ³⁵
Micro (0-9 employees)	93,75%	25%	37,5%	37,5%
Small (10-50 employees)	93,75%	19%	47%	34%
Medium (51-250 employees)	75,00%	12,50%	75%	12,50%
Large (over 250 employees)	100,00%	25%	75%	0%

³⁵The impact is evaluated through the Likert scale, on which from 1 (not at all affected) to 5 (much affected) is shown the degree of influence that the measure had. By "not affected", the percentages of the degree of influence 1 and 2 were collected, and for the "affected" the percentages for 4 and 5 were collected. The residue is the percentage of degree 3, which indicates that the degree of influence can not be estimated.

Usage and effectiveness of the measure

Of all companies, the measure is mostly used by micro companies, following it from the small ones. The medium-size companies do not use it, and only one of the big ones uses it.

As previously stated, the real effect of the measure is analyzed by considering whether the measure has had some influence in the selection of companies to hire young people. In this research, the analysis was done by exploring the motives of the companies³⁶ for employment and the impact of the measure on specific employment. Thus, of all companies that planned new employment, 49% said that the measure did not affect their motive for employment of young people. The review by type of company is given in the following table:

Company size	Number of young people employed						
	0	1-2	3-5	6-10	11-30	31-50	51+
Micro (0-9 employees)	25%	31,25%	37,50%	6,25%	0%	0%	0%
Small (10-50 employees)	12,50%	15,63%	40,63%	15,63%	15,63%	0%	0%
Medium (51-250 employees)	2,50%	0%	12,50%	0%	25%	50%	0%
Large (over 250 employees)	0%	0%	0%	0%	25%	12,50%	62,50%

In addition, the effectiveness of the measure can be seen by comparing the motives for new employments and their connection to the use of the measure. Thus, of all companies that planned new employments, 32% used the measure. This shows that the measure has allocation costs, especially for those who use it the most (micro and small enterprises). Namely, these enterprises planned to increase the number of jobs in their company, which means they would increase the number of employees even without the existence of the measure, i.e. the measure only served to further reduce labor costs. In the table we can notice that 94% of micro and small businesses plan to increase the number of jobs, and also, to a large extent (41% and 31% respectively) use the subsidy measure. This would be justified if the measure affects the preferences for hiring young people or the amount of wages for the young people that the companies employ. Otherwise, subsidies only increase the profit of companies without having any effect on incentives for employment of young people. From the above table it can be noted that the measure had little impact on the preferences for employment of young people. Namely, only in 25% of micro and in 19% of the small businesses, the measure influenced the selection of young workers, which shows that, however, the financial incentive provided by the subsidy is not sufficient to seriously change the preferences of employers to choose young people.

³⁶Компаниите се прашани дали планирале зголемување на вработувањето во нивните планови за раст и развој.

Use of other measures

Regarding the use of other measures, from the companies that planned to employ, only 28% use another government measure to increase their employment. Also, among those who do not use the measure subsidies, only 16% use other government measures. From the obtained data, it can be concluded that companies that plan to employ young people generally do so without any additional motivation, which means that the measures only *affect the reduction of their costs for the workplace instead of increasing their motivation for more employment of young people.*

Company size	Plan an increase	Use the measure subsidies	Use other government measure
Micro (0-9 employees)	93,75%	54%	57%
Small (10-50 employees)	93,75%	42%	24%
Medium (51-250 employees)	75,00%	0%	9,5%
Large (over 250 employees)	100,00%	4%	9,5%

The second indicator of the success of the measure for youth employment, besides the stimulation for job creation, is the effect that the measure had on the salaries of newly employed young people. In general, it is expected that reduced job costs as a result of the subsidy would lead to increased net wages for the newly employed young people. The survey was done through two related questions: first, the companies were asked whether they generally give lower starting salaries to young workers, and then asked if the measure had somehow influenced those wages.

Impact on wages

Regarding the starting salary, larger companies appear to be less discriminating in regards to the years. Probably, this is due to the existence of internal rules in them, prescribed job positions and systems for calculation of wages and rewards. Namely, only 3% of large enterprises reported that young workers are given a lower starting salary compared to older ones, which means that in these companies, the employee's years have no impact on his initial earnings.

Starting wage	Impact of the measure on the wage			
	Positive	Negative	No impact	No answer
Lower than the older employees	24,14%	3,45%	68,97%	3,45%
Same as the older employees	32,61%	2,17%	54,35%	10,87%

Company size	Percentage of companies that give lower starting wage to young people	Impact of the measure ³⁷	
		Positive impact	No impact
Micro (0-9 employees)	38%	59%	28%
Small (10-50 employees)	52%	27%	50%
Medium (51-250 employees)	7%	9%	9%
Large (over 250 employees)	3%	5%	13%

The impact of the measure on the wage seems to be low. Generally speaking, among those who reported that younger workers had lower wages, 69% said that the measure had no effect on the wage of young workers. Even in those who do not have a lower starting wage, the measure does not affect wages (54%). Positive impact on wages is most commonly in micro and small businesses, which, in turn, shows us another field on which the measure is successful with specific types of companies.

Other options offered by companies

Regarding the other options that companies give to young people, the following table shows that the most used is the paid practice. According to the size of the company, paid practices are most common among small enterprises (offered by 58% of them), while unpaid is dominant in medium and large companies (25% and 33% respectively). Micro enterprises generally offer training (9%) and paid practice (22%).

Options for young people	Frequency	Percent
Paid practice	26	32,5%
Unpaid practice	12	15%
Training	7	8,75%
Volunteering	3	3,75%
Working part-time	1	1,25%
Part time employment	1	1,25%

³⁷Negative impact is not shown. It is only available in 2 micro companies, i.e. 2.5% of the sample.

Recommendations from companies to improve the measure

In addition to the assessment of the success of the measure, the purpose of the research was to give recommendations for improvement from the users themselves. The structure of companies that consider the measure has limitations is shown in the table.

Company size	Consider the measure has limitations	Consider the implementation of the measure should continue
Micro (0-9 employees)	31,25%	84,38%
Small (10-50 employees)	15,63%	87,50%
Medium (51-250 employees)	25,00%	87,50%
Large (over 250 employees)	50,00%	100%

26% of all companies responded that the measure has certain limitations. Summarized, the limitations of the measure that prevent companies from using it are the following:

Flexibility of the measure

The duration of the obligation is too long, and if there is a need to leave the workplace for any reason, the penalty to be paid makes the measure unattractive. Companies believe that it is not a practice for young people to stay in the workplace in the next 2 years, and if the company can not find a replacement within the deadline, it loses the right to all previous and future employments through the measures of the Government of the Republic of Macedonia.

Justified dismissal

Companies believe that justifiable dismissals should be taken into account, as the measure imposes penalties if the employee is fired,³⁸ and he has caused damage to the company and / or does not fulfill its work obligations. Additionally, it should be taken into consideration that small companies often have to dismiss people to adjust to market conditions.

Unreasonable short deadline for replacement

Companies consider that the replacement deadline (15 days) of the employee in the event of dismissal is too short if one takes into account that certain sectors are specific and finding a worker with the necessary qualifications is often a long process.

³⁸However, there is a deadline for finding a suitable replacement.

In terms of its future existence, of those who use it, 87.50% reported that the measure should continue to be implemented, which is a clear indication that the measure is favorable for companies.

The majority of those who believe that the measure should not be continued are micro companies (50%), followed by small businesses (37.5%), which means that additional attention needs to be paid in adjusting the measure of specific needs for this type of enterprise.

Conclusions and recommendations

From the above, we could see that the large youth unemployment is a problem that requires a serious approach in terms of designing measures aimed at solving the problem. Although there is no universal approach to tackling the challenge of employing young people, however, addressing needs to be done through measures that take into account all circumstances, focusing on those factors that contribute to greater effectiveness in meeting the target. Additionally, since a large discrepancy between the initially conceived result and the one actually realized is possible, the measures require independent evaluation, in order to detect the weaknesses in the design and its further correction.

In this paper, two measures were specifically evaluated from the action plans, aimed at stimulating the demand for the young workforce on the Macedonian labor market. The nature of these measures is not to address structural unemployment, but to stimulate the employment of certain categories, as well as to deal with the periodic disproportion in the supply and demand of the workforce. The design of the measures was analyzed through their description in the action plans of the Ministry of Labor and Social Policy, and for one measure (subsidization) a more detailed analysis was made, which included field research.

Regarding measures to stimulate self-employment, we can conclude that the measures provide some positive results, but their effectiveness can be significantly improved through:

Revising the entrepreneurial learning process and expanding the cooperation with existing non-governmental organizations dealing with this topic. Learning about entrepreneurial skills and motivation of the entrepreneurial spirit should start earlier in the educational process, preferably in the elementary education;

·A better mechanism is needed to identify and report on skills that will be needed in the future on the labor market;

Revise the system for granting financial assistance (lending and / or grants) for self-employment. This measure also imposes large allocation costs and its design needs to be adapted to identify those companies most in need of assistance. Further cooperation with institutions dealing with entrepreneurship (business incubators) is recommended because these institutions, with their expertise, can significantly help in the growth of the Macedonian micro business sector;

The funding system can also be improved by expanding access to credit lines, which will be available to young businesses. Additionally, it is necessary to increase the visibility of the favorable loans available to young entrepreneurs;

Lastly, a greater range is needed in relation to institutions and persons for cooperation. Increasing the scope should primarily be done by expanding target groups (NEETs), cooperating with universities (focus on nearly graduated students), and regional chambers of commerce (revival of poorly developed regions).

Regarding the subsidization, the effect of the allocation of "dead" costs was noted, i.e. costs incurred when the measures are not used where necessary. The effect of substitution, i.e. replacement of non-subsidized workers with those subsidized, is not present, and this is resolved through a simple mechanism, the legal provision requires no dismissals in the period when the measure is used. For the allocation costs, the reasons could be sought in more places. However, looking at the overall economic environment, it can be concluded that the level of economic activity is the dominant factor in increasing the labor demand, i.e. the measures do not have a major impact on the increase in the number of jobs that will be offered to young people. The measure does not substantially alter the preferences of employers. Field research shows that the measure is not a sufficient motive for companies to further prefer young people. Additionally, subsidies have no impact on wages paid to young workers. Positive impact on wages is noted only in micro companies, while the general conclusion is that companies do not pay bigger starting wages as a result of the subsidy. Finally, field research shows that the visibility of the measure should be increased. Although micro and small companies are least familiar, of those who are familiar, the biggest percentage of users are precisely these companies. This is a clear indicator that the measure can most help precisely in the growth of these companies.

Therefore, it is necessary:

- 1) to increase visibility; and
- 2) to redesign the measure to best suit the needs of these companies. Identifying specifically this company profile can increase effectiveness and deliver significantly better results in achieving the intended goal: higher employment rates among the young population.

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THE EFFECT OF THE ETHICAL CLIMATE AT PUBLIC INSTITUTIONS ON THE YOUTH BRAIN DRAIN IN MACEDONIA

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Introduction

The Western Balkan countries (WBC) remain important partners of the European Union (EU). With its geopolitical importance, South-East Europe, and particularly the WBC as a bridge to the Asian continent, play an important role for the EU as regional and international actors. As an economic and political union, EU continuously emphasizes the importance of youth participation for the successful implementation of political and economic policies in the region. In the process of democratization, pushed forward by the EU, the WBC are expected to take effective steps and to foster mutual cooperation when it comes to the civic engagement in decision making processes, particularly when it come to the youth. Therefore, the participation of youth in the abovementioned processes is inevitable.

On one hand, WBC, and in particular Macedonia, are increasing facing phenomenon known as “youth brain drain”. The continuous political instability, which also affects economic circumstances, seems to be the leading reason for the youth to decide for “a better life” abroad. Moreover, the ethno centric discourse used by political actors¹ triggered hatred among communities, which significantly influences harmony and coexistence. Thus, the social behavior parameters also change, usually leading to a fragile background. On the other hand, the youth that looks for higher level of life standard starts to seek a better well-being “somewhere else”.

Considering that politicians create policies based on narrow party-centric interests, which is also one of the factors causing political instability, the administrative and the institutional bodies, as well as the bureaucracy in general are shaped under these circumstances. Therefore, the weakened functionality of public administration is also reflected in the quality of the services provided to citizens. The social reality in Macedonia suggests that it is almost impossible to obtain employment, or required services regularly and on time. Additionally, double standards and 'friend at court' are other ethical issues observed in every-day life of the citizens.² These are some of the segments revealing the ethical climate of public institutions in Macedonia.

Within this background, the need to analyze whether there is a connection between two parameters: ethical climate of public institutions and youth brain drain was considered. Thus, this study aims to analyze the effect of the ethical climate of public institutions on the decision to migrate from Macedonia. It examines the perception of migrated youth towards the ethical climate of public institutions in

¹Anon., 2015. META. [Online]

Available at: <http://meta.mk/chovechina-indijantsi-shiptari-tsigani-zhuti-magarina-politichari-ili-kochijashi/> [Accessed 31 March 2017] and OSCE, 2017. The former Yugoslav Republic of Macedonia, Early Parliamentary Elections, 11 December 2016: Final Report, Vienna: Organization for Security and Co-operation in Europe.

²Latkovic, M. T., 2016. Study on Youth of Macedonia 2016. 1st ed. Skopje: Institute of Sociological, Political and Juridical Research.

their home country, their past experiences with public servants, and in general, the overall effect of the aforementioned in their decision to migrate. In addition, this study portrays the ethical climate of public institutions from the perspective of public servants.

Methodology

This research paper examines the author's hypothesis that the ethical climate in public institutions influences the decision-making process of youth to migrate out of Macedonia. Thus, the paper also aims to provide an answer to the research question on how much the ethical climate in public institutions is a cause to the youth brain drain of the country. To sum up, this research study investigates the linkage between good governance on the state administrative level, and the social phenomenon known as youth brain drain.

Both qualitative and quantitative research methods have been applied to examine the hypothesis. The qualitative research contains exploratory approach to better understand the two parameters: ethical climate of public institutions and brain drain, i.e. that both parameters have a direct linkage with the society. On the other hand, the quantitative approach tackles the hypothesis and the research question by quantifying the problem through generating numerical data transformed into usable statistics. Thus, the research is based on primary data collection.

Sample

An online survey was distributed to the target group of this study, namely to youth aged between 18 to 30 years, citizens of Macedonia who have migrated out of the country. In order to observe if there is a possible drastic difference in perceptions on the ethical climate of public institutions in Macedonia, the survey was also distributed to a control group composed of youth still living in the country.

The survey was distributed over social media and e-mail groups. To achieve reliability of the research context, the survey was conducted through an online software program, which does not allow second response to the survey. The results of the survey were analyzed with Statistical Package for the Social Sciences -SPSS. However, this study is not free of limitations. One limitation is the relatively small sample size. Out of total 702 respondents, 354 responded fully and 348 partially completed the survey. Due to research ethics, the partially completed surveys were not considered in the analysis of results. From the 354 completed surveys, 178 belonged to the target group (migrated youth) and 176 belonged to the control group (domestic youth). Therefore, this research builds upon the belief that generalization made with the abovementioned samples is sufficient to reflect the approach on this topic.

Moreover, as an online survey, it is a matter of conscious commitment of the respondents to match the profile of the target/control group foreseen for this study. Nevertheless, the study relies on dissemination mechanisms used for accessing

both groups(target and control), so that it can reflect reliability of the research study.

Interviews

In addition to the online survey, five interviews³ were conducted with different stakeholders. Interviews were used to gain understanding of underlying reasons, opinions and motivations on the research topic, to obtain insights regarding our hypothesis. Four interviews were conducted face-to-face, while one interview was mailed in an electronic written form. Face-to-face interviews enabled diving deeper into the topic of this study.

³Interview with N.I, public servant at Ministry of Transport and Links, 17 March 2017

Interview with B.H, former public servant at Ministry of Finance, 20 March 2017

Interview with T.M, former public servant at Ministry of Finance, 20 March 2017

Interview with N.M, public servant at Municipality of Chair, 21 March 2017

Interview with Prof. Dr. Marija T. Latkovikj, Academic staff at Institute of Sociological, Political and Juridical Research of University of St. Cyril and Methodius

What is ethical climate?

Put simply, ethical climate is defined as the moral atmosphere of a working environment and refers to the ethics practiced within an organization.⁴ It is a type of a group work climate with moral consequences or reflections within the organization's procedures, policies and practices.

In that respect, the ethical climate can play a role of mirror on what are the (un)ethical behaviors and (un)acceptable actions in a certain working unit. The ethical climate helps employees to 'measure' what is acceptable and what is not, in terms of behavior. Moreover,⁵ the ethical climate reflects which behaviors are important and proper in a certain working place/organization. Thus, the ethical climate also helps individuals to determine the adequate manner of behaving. In other words, the work climate provides individuals with the group norms regarding appropriate behavior in the unit. As a result, if the ethical climate is strengthened in terms of affirming ethical actions, employees will be less likely to perform unethical behaviors.⁶

Consequently, the ethical climate of organizations is correlated with the perception of customers towards the organization itself. From an internal aspect, it correlates with the employee's job satisfaction and organizational commitment. Many of the studies have shown that the better the ethical climate, the higher the job satisfaction and organizational commitment of the employee. Externally, the better the ethical climate of the organization – the higher the customers' satisfaction, and their decision to further cooperate works in benefit of the organization.⁷

In this context, the higher the ethical climate of the public institutions- the bigger the citizens' satisfaction with the service provided, and the commitment to the entire state apparatus. With this in mind, it is very important for the country authorities to work on improving the ethical climate in public institutions.⁸

⁴Huang, C.-C., You, C.-S. & Tsai, M.-T., 2012. A multidimensional analysis of ethical climate, job satisfaction, organizational commitment, and organizational citizenship behaviors. *Nursing Ethics*, pp. 513-529

⁵Mayer, D. M., Kuenzi, M. & Greenbaum, R. L., 2010. Examining the Link Between Ethical Leadership and Employee Misconduct: The Mediating Role of Ethical Climate. *Journal of Business Ethics*, Issue 95, pp. 7-16.

⁶Meyer, J. P., Stanley, D. J., Hersovitch, L. & Topolnytsky, L., 2002. Affective, Continuance, and Normative Commitment to the Organization: A Meta-analysis of Antecedents, Correlates, and Consequences. *Journal of Vocational Behavior*, Issue 61, pp. 20-52.

⁷Huang, C.-C., You, C.-S. & Tsai, M.-T., 2012. A multidimensional analysis of ethical climate, job satisfaction, organizational commitment, and organizational citizenship behaviors. *Nursing Ethics*, pp. 513-529.

⁸Taspinar, Y. & Sahin, A., 2014. The relationship between ethical climate and ethic positions in public institutions: A field study. Budabest, WEI International Academic Conference.

— Every third young person is migrating!

Bearing the afore mentioned in mind, this paper reaffirms the likely effect of the ethical climate of public institutions on youth's social behaviors, such as migrations, and the (dis)satisfaction with public services. Hereby, in the related topic of study, we must firstly look at the overall situation of youth brain drain in the Republic of Macedonia.

Especially in the last decade, the youth brain drain has become an alarming phenomenon in Macedonia. According to a research made by Exodus, every third citizen with completed higher education has migrated out of country in the period of 2010-2015.⁹

Moreover, in the National Strategy for Networking, Cooperation and Decrease of the Brain Drain of Highly Educated and Professional Staff 2013-2020, the following is noticed:

“Almost 30% of citizens with finished higher education in Macedonia, live and work abroad, and almost 80% of students in the final year of their studies at the technical faculties are thinking or planning to leave the country. The total number of citizens that are actually situated abroad is massively big, and can be counted as more than 447.000 persons. This represents 22% of the total population in 2010.¹⁰ Accordingly, the x World Bank's assessment¹¹ is that the amount of higher-educated citizens living and working outside of Macedonia is 29%”.¹²

The overall high-level of unemployment, the fragile and floating situation of the labor market in Macedonia and the exceedingly insecure circumstances, have been identified among the most important factors for the high level of brain drain in the case of Macedonia. However, in addition to those issues, it should also be pointed out that there are other “push” factors stimulating the process of brain drain. As Horvat (2004) puts it, the questionable democratization of the country, accompanied by the decline of institutions in the system and the political instability that peaked during the military conflict in 2001, are also factors that motivate highly educated individuals to leave.¹³ Moreover, as Ylber Sela (2008) argued, the Macedonian state and public administration, still fail to embrace meritocratic and as a result the dominant model of individual advancement is not via

⁹Dodevska, A., 2016. Prizma. [Online]

Available at: <http://prizma.mk/egzodus-sekoj-tret-obrazovan-ja-napushtil-makedonija/> [Accessed 3 March 2017].

¹⁰ <https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/MacedoniaFYR.pdf>

¹¹ <https://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf>, стр. 29

¹²RM, M. o. E. a. S. a., 2013. Национална Стратегија за вмрежување, соработка и намалување на одливот на високо образовани и стручни kadри 2013-2020, Skopje: Register of Strategic Documents of the Government of RM.

¹³Horvat, V., 2004. Brain Drain: Threat to Successful Transition in South East Europe. Southeast European Politics, V(1), pp. 76-93

qualifications, but rather through personal and especially political ties. Political ties¹⁴ are also an indicator of advancement in the business, academic and even in the civil sector, as politics, in general, has been considered and used as means of financial gain.¹⁵ Public administration increasingly continued to be influenced of a political authority/party, and this has become a chronic obstacle in the democratization process of the country. This has also been reflected in the progress reports about Macedonia on its Euro-Atlantic process. The latest EU Country Report on Macedonia (2016)¹⁷ pointed out that the country is moderately prepared in terms of the reform of its public administration. The EU also noticed the use of the public sector as a political instrument; allegations of pressure exerted on public employees and alleged politicization of administration. Nevertheless, it stressed out the necessity of strong political commitment to guarantee the independence of the public administration and respect for the principles of transparency, merit and equitable representation. Thus, the supposed rule of law, high level of corruption and compromised democratic governance give the impression that reforms are still needed in terms of Macedonia's democracy. However, the current situation 'puts fire' to the already dissatisfactory life standards in Macedonia, which later on are reflected in the incremental ambition to move abroad to a more flourishing society, and if having left already, a decreased desire to return.¹⁸

¹⁴Sela, Y., 2008. The dynamics of reforms development in Macedonia and its approach towards the European Union. Tirana, International Conference on Balkan Studies, Epoka University.

¹⁵Vangeli, A., Mehmedovic, N. & Bakiu, B., 2010. Developing "Brain Gain" Policies in the Western Balkans. Center for Research and Policy Making, pp. 1-11

¹⁶NATO, 2016. Warsaw Summit Communique, Warsaw: NATO.

¹⁷OSCE, 2017. The former Yugoslav Republic of Macedonia, Early Parliamentary Elections, 11 December 2016: Final Report, Vienna: Organization for Security and Co-operation in Europe.

¹⁸Comission, E., 2016. The former Yugoslav Republic of Macedonia 2016 Report, Brussels: Comission Staff Working Document.,

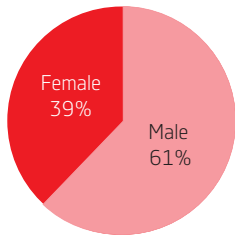
https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_the_former_yugoslav_republic_of_macedonia.pdf

¹⁹Vangeli, A., Mehmedovic, N. & Bakiu, B., 2010. Developing "Brain Gain" Policies in the Western Balkans. Center for Research and Policy Making, pp. 1-11

Data shows that...

Surveys

An interesting fact is that 86% of the migrated youth were based in mostly Western European countries, USA and Australia. Based on that, we can conclude that when deciding to move abroad, the general behavior of the youth from Macedonia is to choose a Western country for their future. The survey conducted for the purposes of this study aimed to investigate the perception on the ethical climate of the public institutions in Macedonia, the respondents' experiences related to the ethical climate in their contact with public servants/institutions, and the effect of ethical climate itself on the decision to move out of the country.



An interesting fact is that 86% of the migrated youth were based in mostly Western European countries, USA and Australia. Based on that, we can conclude that when deciding to move abroad, the general behavior of the youth from Macedonia is to choose a Western country for their future.

Figure1: Gender of Respondents

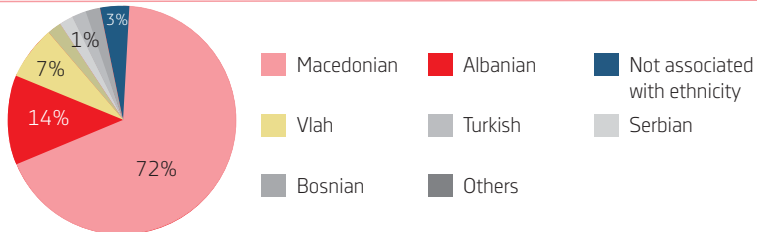


Figure2:

Ethnic background of respondents

THE HIGHEST LEVEL OF EDUCATION COMPLETED

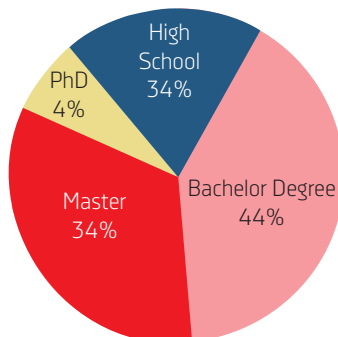


Figure 3:

Level of education of the respondents

Do public servants care, follow rules and behave properly?

The contemporary public administration has occasionally evaluated the overall perceptions of public services. Ethics and administration are one of the main indicators when it comes to public service satisfaction of citizens. Caring, respect for the law and conduct are some of the important parameters of the activity known as public service.¹⁹

First of all, it must be emphasized that there were no significant differences between migrated and domestic youth in the statements aimed to investigate perceptions on the ethical climate of public institutions in Macedonia. However, as the target group of this study is migrated youth, we consider their views as basis for analysis in this section.

According to the survey results, the migrated youth does not have positive opinion on the ethical climate of public institutions in Macedonia. This can be observed in several statements intended to clarify the perception of care. More than half of the migrated youth, namely 55%, do not agree that the most important concern of public institutions in Macedonia is to provide a good service to the citizens. Moreover, 85% of them do not think that the public servants do their best to advance citizens' interests, regardless of the consequences. 86% of respondents also disagree with the statement quoting "the public servants really care about my problem, as it were their own". These results also show that greater focus should be placed on providing trainings for improved commitment in service delivery.

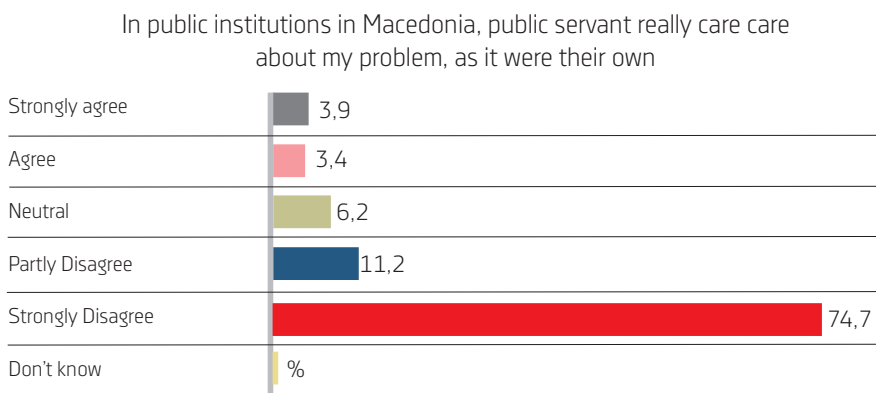


Figure Bar Chart of question about caring

¹⁹Pajaziti, A., 2005. Public Ethics. 1st ed. Skopje: Logos-A.

Nevertheless, the migrated youth had similar perception when they were asked to evaluate the commitment to respecting the rules and procedures of public institutions. More than half of the youth (68%) do not agree that public servants consider the law and ethical code of their profession when performing their work duties. Similarly, 83% do not agree that the public servants in public institutions in Macedonia strictly follow legal and professional standards. Considering this reality, it is also compelling that 74% of the youth think that they cannot be provided adequate service without having a “connection” in public institutions. This perception annotates the raising issue of nepotism in society. In addition, this damages the belief in social equality from a macro perspective.

You cannot receive good service without having a ‘connection’ in public institutions.

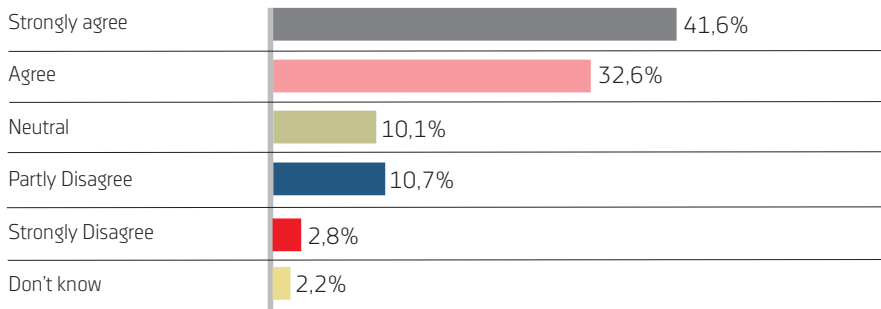


Figure Bar Chart of question about rules

Furthermore, the most dramatic results were noted in the statements that help expose the perception of respondents on the behavior of public servants. This was observed when 83% did not agree that in public institutions in Macedonia, the public servants behave objectively and with full responsibility. Additionally, 66% of the respondents think that public servants are corrupted because they receive bribery for providing the required services to the citizens.

The Public servants consider themselves as a ‘boss’ rather than a ‘servant’ to the citizens

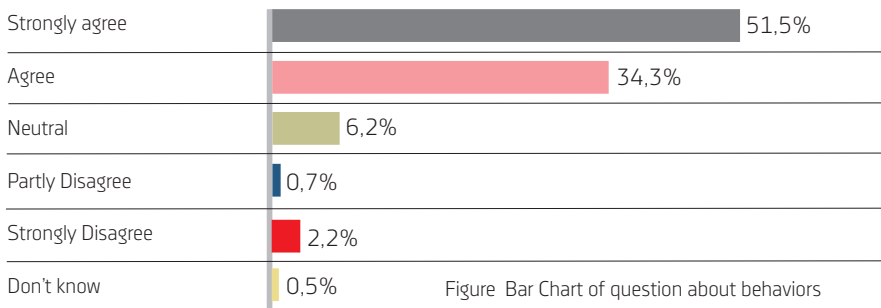


Figure Bar Chart of question about behaviors

A significant number of the respondents (75%) think that public servants apply double-standards when dealing with citizens. This can also legitimize the evaluation that 64% of them believe that public servants misbehave towards citizens because of stereotypes (based on clothes, skin color, language, etc.). Thus, 63% of the respondents also feel as “second-class citizens” when they need a service by public institutions in Macedonia. The most concerning result of the overall statements was that 89% of the youth complained that the public servants consider themselves as the “bosses” rather than providers of services to citizens.

Public servants misbehave towards citizens by considering stereotypes
(based on clothes, skin color, language, etc.)

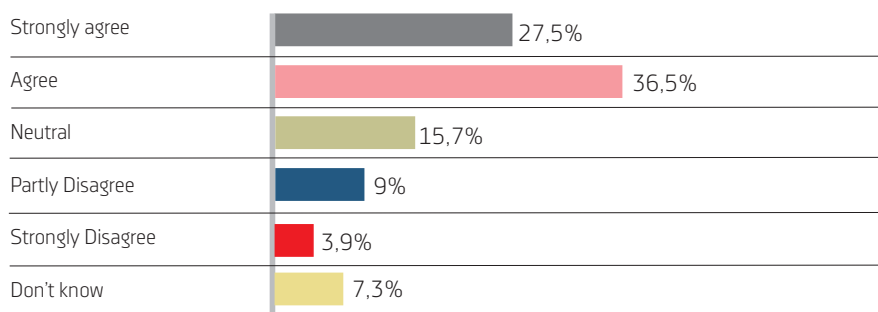


Figure 7: Bar Chart of question about behavior of public servants.

Ethical climate was important to migrated youth!

One of the results that support the research hypothesis on the linkage between the ethical climate in public institutions and youth brain drain in Macedonia is that according to 65% of the migrated youth, the general ethical situation in public institutions impacted their decision to move abroad. Considering the abovementioned evaluations of migrated youth related to the caring, commitment to rules and the behavior in public institutions, it can be concluded that the overall dissatisfaction on public services influenced them to seek a more satisfying environment.

With the development of technology and access to good practices, the expectation of public services to provide more practical solutions to the needs of the citizens is getting higher and higher. However, according to the survey results, the effort of the public administration to provide better services remains insufficient. The expanding political influence on the public administration, and the increase of nepotism, has setback the legal standards, professionalism, and administrative principles. It results in a decrease of integrated human resources and capacity for improvement of public institutions.

The general ethical situation of public institutions affected me in deciding to move abroad

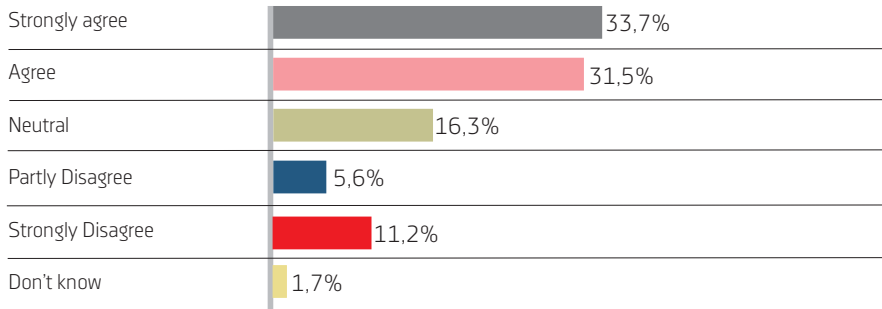


Figure 8: Bar Chart of question about brain drain

When asked to rate to which degree their dissatisfaction in the public service impacted their decision to migrate - 85% of the respondents found it highly or slightly important. New generations have expectations for better standards, in line with democratic norms. They expect and ask for increased use of good practices, more awareness of civil service, and practical solutions to their public service needs. Thus, the research examines that the public institutions in Macedonia inadequately respond to the needs and expectations of youth from the public service. Referring to the survey results, it is also important to emphasize that their expectations need to be met accordingly with the latest technological developments.

Can you rate the importance of public service dissatisfaction in your decision to migrate out of country?

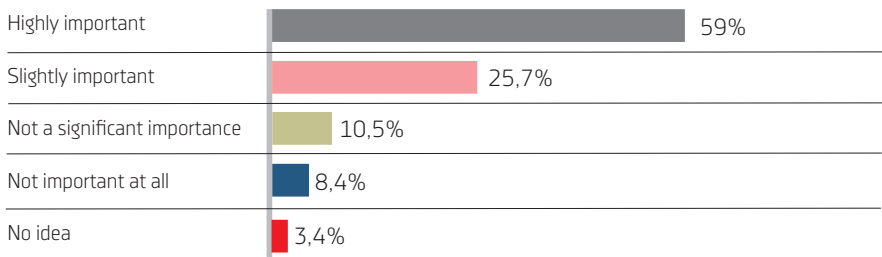


Figure 9: Bar Chart of question about brain drain

Accordingly, 58% of the respondents found that their experience with public institutions has influenced their decision to migrate. When asked what would better describe their experience, the most preferable answer was 'not showing will to provide me the needed service'.

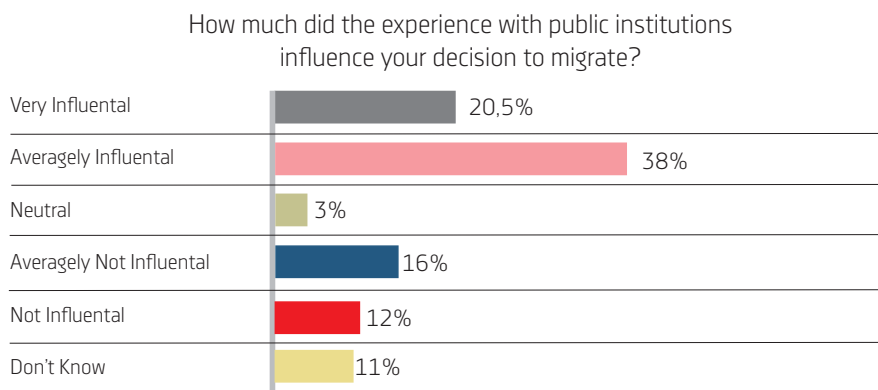
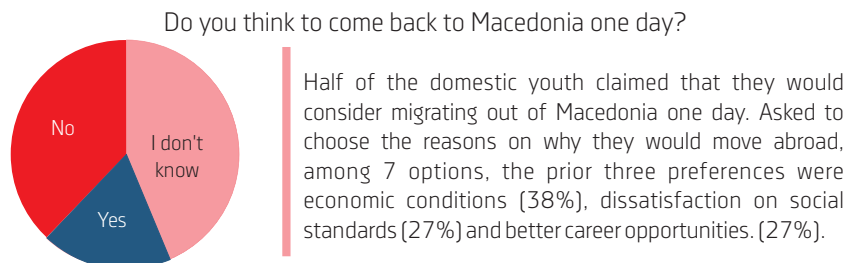


Figure Bar Chart of question about brain drain

Additionally, the migrated youth was asked if they plan to return to their home country someday. The answers 'No' and 'don't know' summed up 72%, while only 28% said 'Yes' to this question.



Respondents were also asked to explain any specific issue they experienced or problem they faced with the public institutions in Macedonia, and also to indicate which institution they faced that issue with. The most frequent complaints were lack of care, unprofessionalism, double-standards and politicization of the institutions. Accordingly, health institutions and the Ministry of Internal Affairs were the ones that the respondents have most issues with and complaints about. Another significant complaint, which was expressed by many of the ethnic Albanian and some of the Turkish respondents, are the language barriers in public institutions. Therefore, it is observed that public institutions in Macedonia struggle to attend to the basic needs of citizens, such as caring and good behavior, and requirements, such as language issues.

Having this in mind, it can be concluded that the general perception of youth in

Macedonia is that there is a lack of awareness among public servants on what public service is and how 'service to citizens' should be perceived and better provided. According to the respondents, the problem lies in the perception that public service primarily is considered as a 'profession', rather than as a 'commitment' to serve to the community.

However, even though the ethical climate of public institutions is perceived as poor, some studies²⁰ have shown that the public administration remains as one of the most favorable working places for the youth in Macedonia.

Public servants are leaving their jobs and migrating as well

A study conducted by EPI on employment in public institutions,²¹ has shown that the most problematic issue in proper functioning of the administration is the recruitment and promotion based on party affiliations. The neglect of the merit-based system, and the tacit understanding that party affiliation supersedes it, has also consequences on the working environment among public servants.

Bearing this in mind, in addition to the primary aim of the survey - to analyze the perceptions of the migrated youth, the second aim of this research was to listen to "the other side of the story". The research aimed to collect primary data from other stakeholders of this topic, and to give a clearer picture to the research study. Therefore, the researcher of this study conducted interviews with two public servants, out of which one works at national level, namely the Ministry of Transport and Communications, and one at local level, namely the Municipality of Chair. Moreover, two interviews were conducted with former public servants who worked at the Ministry of Finance for nine years, and have recently resigned.

Even though the interviews were made separately, a notable finding is that both the currently serving, and the former public servants, had very similar opinions in some segments: all of them were satisfied with their profession as a public servant, but dissatisfied with their working place. When asked why is that, their common answers were: lack of stimulation and motivation by their superiors, low salaries, and lack of promotions based on merit, but rather based on political affiliations.

The interviewee serving in Ministry of Transport and Communications²² mentioned three colleagues that have resigned their jobs, and moved abroad to European countries. According to him, the main reasons were dissatisfaction regarding the lack of commitment to professional standards, and being threatened by the head of

²⁰Trenovski, B., Andonova, V. & Dimovska, G., 2016. Analysis and monitoring of the policies about social inclusion of youth, Skopje: Center for Economic Analysis; and

Macedonia, G. o. R. o., 2016. National Strategy for Youth 2016-2025, Skopje: Agency for Youth and Sport.

²¹Jordanova, M. o. et al., 2016. Life and Numbers, Equitable Ethnic Representation and Integration at the Workplace. 1st ed. Skopje: European Policy Institute

²²Interview with N.I. public servant at Ministry of Transport and Links, 17 March 2017

sector just because of having different political views, and were therefore mobbed. The final reason was insufficient salary to survive the month. In fact, all of these represent the ethical climate of the working units. In that regard, we can observe that the ethical climate is a meaningful factor on brain drain of the professional staff itself. This claim is further supported by the interviewee's opinion he would immediately leave his job in public sector, the moment he gets a good offer from the private sector.

“I'm working for 10 years now in the same position, without any advancements, though I believe that I made my best as a professional. But I think the main reason for not being advanced in my working places is disagreement on political views with my superiors.”

N.I, public servant at Ministry of Transport and Communications

Furthermore, the former public servants at Ministry of Finance²³ stated that especially in the last two years in service (in the period of 2013-15), the “politicization” of public institutions was a very common occurrence. Loyalty to the ruling parties and their leaders started to become a very significant factor for promotions in the working place. This was one of the main reasons for deciding to resign from the public sector, and continue their career in the civil sector.

Apart from the respondents from the central administration, the interviewee employed at local level²⁴ stated that:

“they try to follow legal and professional standards”, but are continuously disturbed by having 'urgent cases' ordered by superiors where they have to surpass legal and professional standards”.

According this interviewee, the capacity of staff in proportion with the total number of population in the municipality she works at is not satisfactory. On the other hand, she claimed that:

“there are many 'on-paper' public servants that likely never appear at work, though they take their monthly salaries”

A public system which is not based on values such as merit, objective promotions and teamwork will have a negative effect on the five items of ethical climate within institution: law and rules, caring, independence, instrumental work and efficiency. All of this has contagious effect on society, in particular on youth. The academia representative active in areas of youth unemployment and engagement was also asked to reflect on these issues.²⁵ According to Prof. Latkovikj, in the last 5 to 10 years, the number of migrated highly educated and professional staff has increased

²³Interview with B.H, former public servant at Ministry of Finance, 20 March 2017

Interview with T.M, former public servant at Ministry of Finance, 20 March 2017

²⁴Interview with N.M, public servant at Municipality of Chair, 21 March 2017

²⁵Interview with Prof. Dr. Marija T. Latkovikj, Academic staff at Institute of Sociological, Political and Juridical Research of University of St. Cyril and Methodius

due to the higher living and professional standards for their profession abroad. Asked for the perception on the ethical climate of public institutions, which youth found quite unsatisfying, the interviewee pointed out that:

“It is because of the political division of the population, high politicization on all social fields, and perception on effects of Ohrid Framework Agreement. These have all affected the perception on public administration throughout the last decade. This perception can be changed by increasing employment on the basis of merit in the public administration, and indirectly by increasing the level of professionalism, and improving the quality of service.

It can also be observed at the fact that they consider engaging in politics for the purposes of obtaining employment, from purely prior pragmatic reason.²⁶ Consequently, those that choose to go 'by the book', are more likely to be dissatisfied with this situation.

²⁶Latkovic, M. T., 2016. Study on Youth of Macedonia 2016. 1st ed. Skopje: Institute of Sociological, Political and Juridical Research

Conclusion

For many years now, Macedonia has faced a deep political crisis. This has evidently affected many complementary mechanisms, such as bureaucracy, economy and social standards. In turn, it has also led to an incremental brain drain of educated youth. Many studies²⁷ conducted in the field to date, have shown that the main reasons for migration of youth are disturbing economic conditions, fragile political circumstances, and dissatisfaction on social standards and public services.

The results of this study show that the poor ethical climate of public institutions in Macedonia plays a catalyzing role to the decision of youth to migrate out of country. According to the migrated youth, the lack of respect for legal and professional standards, lack of will to provide needed service, lack of equal treatment of citizen, all influence their belief that they cannot see their future in the country. Additionally, 'the politicization of the public administration', not being valued based on merit and labor during the employments, seem to be a very important factor in seeking better living standards and career opportunities abroad. This again reflects the current overall dissatisfaction of the youth (both migrated and domestic) on public services and their concerns that were also exposed in the results of the survey. The analysis shows that primary parameters of this dissatisfaction lie in the double standards, both in terms of the provided services, and the unequal access to opportunities due to high level of politicization.

Ethical climate of public institutions derives from governance, values, norms and habits established in a certain country, and public servants are the very first representatives of this establishment. In the case of Macedonia, the whole picture of ethical climate of public institutions shows that there are many alarming segments, in particular with a focus on 'politicization' of the public administration. The interviews with public servants once again stress the emergency of this issue.

Additionally, academics have also pointed out the high politicization in every aspect of social life as one of the main reasons for the negative perception of youth about the ethical climate of public institutions. This is also linked with the belief that public servants apply double standards, receive bribery, or misbehave towards citizens based on stereotypes and their ethnic background, according to the results of the data. In these circumstances, it is not surprising that the highly educated youth would consider to move out for better career opportunities. Considering this, public authorities should take urgent actions to obtain maintain better perception

²⁷Horvat, V., 2004. Brain Drain: Threat to Successful Transition in South East Europe. *Southeast European Politics*, V(1), pp. 76-93
Sela, Y., 2008. The dynamics of reforms development in Macedonia and its approach towards the European Union. Tirana, International Conference on Balkan Studies, Epoka University.
Vangeli, A., Mehmedovic, N. & Bakiu, B., 2010. Developing "Brain Gain" Policies in the Western Balkans. Center for Research and Policy Making, pp. 1-11

of their responsibility, utilize professional standards in the provision of services, especially in employments, and adhere to the principle of equal opportunities for building career in the country. This would have a positive impact towards the improvement of the life standards and social welfare. Without doubts, it will also indirectly encourage youth to think about building their future in their home country.

Having considered its geopolitical place, Macedonia is an attractive country that may invest in its future generations, and thus, reduce the massive youth brain drain as an alarming situation for many years. The contribution of educated youth would have a very positive effect in society.

Recommendations

For other public institutions

- To provide advancements for public servants in working units based on objectivity and professional evaluation through establishment of an external evaluation committee.

- To ensure equal opportunities for candidates interested to apply for a job in public administration, based on their qualifications, experiences and skills.

- To ensure professional training on care and behavior with citizens, and following of legal and professional standards.

- To raise the awareness on public service as a profession that meets the needs of citizens and society through campaigns using public media tools.

- To provide quality service based on new technological developments, such as tools electronic mailing system, etc., for providing easier access to public services.

- Beside the official language, to utilize usage of other languages, in accordance with the requirements of local citizens.

- To enhance evaluation of public service satisfaction based on the feedback from citizens obtained through different evaluation mechanisms.

For public servants

- To provide better quality service that would meet the needs of citizens in the most satisfactory manner.

- To show more care about the services required by citizens, to strictly follow the professional and legal standards of their working units, and to improve their conduct when communicating with citizens.

- As public 'servants', to reconsider their understanding of service for citizens and society.

For Civil Society Organizations

- To raise the awareness of relevant stakeholders on the ethical climate of public institutions by advocating (campaigns, debates, etc.) and address this topic through different activities (workshops with public servants, roundtable meetings with institutions, etc.).

- To conduct researches on the general ethical climate of public institutions and its effect on different aspects of society

Annex

Demographic information of survey respondents

The demographic profile of the total number of respondents was as follows: 39% of the respondents were female, while 61% were male. In terms of ethnic background, 72% of the respondents were Macedonian, 14% Albanian, 6% Turkish, and there was a very small percentage of respondents from Bosnian, Serbian, Roma, Vlach and other ethnic background. 3% of the respondents preferred not to be associated with any ethnicity. The average age of the respondents was 27. The most common professions of the respondents were engineer, teacher and economist. Asked about the monthly incomes, it is interesting to point out that 61% of the migrated youth have monthly incomes more than 1000 Dollars, while 41% of the domestic youth choose not to give an answer to this question. The highest level of education completed was Bachelor Degree with 44%, followed by Master Degree with 34%, and 4% of PhD graduated.

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